

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Table with subscription rates for various countries including USA, Canada, Europe, and Japan.

ESTABLISHED 1887

The Global Newspaper Edited and Published in Paris. Printed simultaneously in Paris, London, Zurich, Hong Kong, Singapore, The Hague, Marseille, Miami, Rome, Tokyo.

No. 32,643 06/88

PARIS, MONDAY, FEBRUARY 8, 1988

U.S. Warns of Troop Pullout If Bonn Bars Nuclear Arms

By Joseph Fitchett. International Herald Tribune. MUNICH — Defense Secretary Frank C. Carlucci warned West Germany on Sunday that the United States might consider withdrawing troops from Europe if West German policies led to all nuclear weapons being removed from its territory.



Israeli troops using batons Sunday against Palestinian women in Ramallah, on the West Bank, during anti-Israel demonstrations.

Israelis Shoot 3 Arabs

Violence Erupts On West Bank; Death Toll at 48. By Glenn Frankel. Washington Post Service. BEIT UMAR, Israeli-Occupied West Bank — At least three Palestinians were killed in clashes on the West Bank on Sunday as two other Palestinians injured last week also died from their wounds, bringing total deaths since Arab-Israeli clashes began in December to at least 48.

THE CANDIDATES IN IOWA. Republicans: M. Haig Jr., Paul Simon. Democrats: Bruce Babbitt, Michael S. Dukakis, Richard A. Gephardt, Albert Gore Jr., Gary Hart, Jesse L. Jackson, Paul Simon.

Gephardt Gains in Poll; Dole Retains Big Lead

By Jim Hoagland. Washington Post Service. ALGIERS — President Choddi Bendjedid is pressing his campaign to bring Colonel Moammar Gadhafi into a regional political accord with his North African neighbors despite U.S. efforts to keep the unpredictable Libyan leader in isolation.

Algiers Seeks Treaty to Neutralize Libya

By John Tagliabue. New York Times Service. WARSAW — Western aircraft manufacturers are positioning themselves for possible sales to Eastern Europe as chinks appear in what was once a closely walled Soviet market.

Western Aircraft Firms Look to the East Bloc

By William Drozdiak and William Branigan. Washington Post Service. SAN JOSE, Costa Rica — President Oscar Arias Sánchez has called on the Soviet Union and Cuba to cut all military aid to Marxist rebels in Central America as the next step in the regional peace process.

Klosk. Mudslides Kill 127 Near Rio. RIO DE JANEIRO (Reuters) — Floods and mudslides have killed at least 127 people in Brazil, including 100 in the nation's old "summer capital" of Petropolis, just north of here, Civil Defense officials said Sunday.

Can Americans Curb Their Spending Habits?

By Louis Uchitelle. New York Times Service. NEW YORK — For years, Americans have been the world's most determined, enthusiastic consumers. The simple living conveyed in Norman Rockwell's illustrations or Grant Wood's famous painting of a severe, Midwestern farmer and his wife, has been lost in the 1980s.



JAPANESE RIGHTISTS BATTLE POLICE — Rightist protesters fighting with policemen Sunday in Tokyo at a demonstration outside the Soviet Embassy. The protest was to demand the return of four northern islands that the Soviet Union has held since the end of World War II.

In South Korea, Red Is All the Rage

By Fred Hiatt. Washington Post Service. SEOUL — In this staunchly anti-communist nation, making friends with communists has suddenly become the rage. When Transportation Minister Cha Kyu Hin unveiled plans last month to spur tourism between South Korea and such nations as China and the Soviet Union, he was only the latest to jump on a bandwagon that has been gathering surprising speed.

Various small advertisements including 'EMPLOYMENT', 'HEALTH / MEDICAL SERVICES', 'OPERATIVE COLLECTION', 'CHILDREN', 'POSITIONS', and 'International'.

Arias Urges Communists To Halt Aid

By William Drozdiak and William Branigan. Washington Post Service. SAN JOSE, Costa Rica — President Oscar Arias Sánchez has called on the Soviet Union and Cuba to cut all military aid to Marxist rebels in Central America as the next step in the regional peace process.

Finding Komsomol Too Dull, Soviet Youths Look Elsewhere

By Bill Keller
MOSCOW — Viktor I. Mironenko's son, Dima, turned 14 a month ago, and like most Soviet teen-agers he now faces an important decision. Will he join Komsomol, the huge youth arm of the Communist Party and the route to power and prestige for generations of Communists, including Mikhail S. Gorbachev?

At Komsomol Central Committee headquarters, Mr. Mironenko talked for nearly three hours about Komsomol's dwindling membership, its tarnished reputation, and the challenge presented by unofficial political clubs that have sprung up in response to Mr. Gorbachev's promises of greater pluralism and democracy.

has dropped by one fourth. He said this reflects "a certain loss of authority," but also results from a deliberate decision to ease the pressure on teen-agers to join. He said he agrees with Soviet analysts who believe that a growing number of Soviet young people are drifting toward religion, but he said he sees no reason to change the policy banning those who believe in God from Komsomol.

"I tried to talk with him twice about this subject, but he hasn't given me an answer," said Mr. Mironenko, with a trace of exasperation. "He evades the answer. He says, 'I have to think about it.'"

"The rumors of the death of Komsomol are greatly exaggerated," he said, reciting a line he has had occasion to use more often than he would like.

He criticized Komsomol for lapsing into bureaucracy and self-importance, but insisted that the organization would recover its position as the unquestioned mold of orthodox Marxist-Leninists.

New Waldheim Documents Emerge

VIENNA (Reuters) — A historian investigating Kurt Waldheim's wartime past said Sunday that he had found documents that will strengthen the case against the Austrian president by backing evidence compiled by a panel of historians.

2 Jets Nearly Collide Over England

LONDON (AFP) — The Civil Aviation Authority ordered an inquiry Sunday into the near-collision of a British Airways Trident and a Balkan Airlines Tupolev-154 over southeast England.

UN Agency May Cut Back in Lebanon

VIENNA (Reuters) — The United Nations Relief and Works Agency said Sunday that it may be forced to halt its operations in parts of Lebanon after the kidnapping of two of its workers near the southern city of Sidon.

U.S. Asked to Help Marcos Daughter

HONOLULU (UPI) — Imelda R. Marcos has begged U.S. officials to allow her daughter, Imee Marcos Manotoc, to come to the United States for gynecological treatment.

For the Record

An unarmed Trident-1 missile exploded Saturday 18 seconds after it was launched on a training test from the nuclear submarine Squalo Bolivar several miles off Cape Canaveral, Florida, the U.S. Navy reported, adding that it would study what went wrong.

TRAVEL UPDATE

U.K. Ferries Work on Strike Backlog

LONDON (Reuters) — Congestion at English Channel ports in Britain eased on Sunday after most British ferry seamen called off a national strike and returned to work.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

- MONDAY: Grenada, Iraq.
TUESDAY: Lebanon.
WEDNESDAY: Bolivia, Malta.
THURSDAY: Cameroon, Japan, Liberia, Vatican City.
FRIDAY: Mauritius.

AMERICAN TOPICS

Driving on Lake Ice Is Pleasant But Risky

Frozen lakes have always been a place of wintertime recreation in the northern United States. People skate on them, play ice hockey on them and bore holes through their thick frozen surfaces to fish. Cars often fall through the ice, occasionally with fatal results. The law requires that sunken cars be salvaged promptly in order to minimize pollution and hazards to navigation when summer comes.



PLENTY OF PUFF — At a surprise 77th-birthday luncheon at the White House on Saturday, President Ronald Reagan blows out the candles on a cake presented by wife, Nancy.

Some people's outcrop of a good time is to speed, skid, spin and do figure-eights in the cars on the ice, William E. Schmidt reports in The New York Times from Folk City, Iowa. Some use their cars to commute to ice-fishing shanties far offshore.

much skin. I haven't had suction. I haven't had a face-lift." The actress added, "This is the last time I'm going to answer this question, because it's oobdy's damned business."

Driving on frozen lakes, both as recreation and as a shortcut to destinations on opposite shores, is legal in most Middle Western states. County workmen plow roads through the snow on Lake Winnebago in Wisconsin, which measures 10 by 50 miles (16 by 80 kilometers). Sheriff's deputies patrol the lake and issue tickets for speeding or reckless driving.

Donald T. Regan, the former White House chief of staff, was one of the speakers at the 75th annual Alfalfa Clob dinner of 650 Washington powers that be, such as President Ronald Reagan and former Secretary of State Henry A. Kissinger. It was held the night before the most publicized game in U.S. sports was played in San Diego, 3,000 miles (4,850 kilometers) distant.

Steve Dawson fishes automobiles from the bottom of icy lakes with a chain and grapping hook. The service can cost as much as \$2,000 per car.

A \$500,000 chapel will be built this year at Camp David, the presidential retreat in the Catoctin Mountains of Maryland, with private contributions. A White House spokeswoman said it will be octagon-shaped, with 150 seats. The chapel was proposed to Mr. Reagan last fall by Kenneth Plummer, a retired builder in the area, who recalls camping there as a Boy Scout before Camp David was established. Mr. Reagan not only approved the idea, but made the first contribution, \$1,000.

Elizabeth Taylor, who has written a book, "Elizabeth Takes Off," about reducing from 180 to 120 pounds (81 to 54 kilograms), was asked by a Los Angeles Times reporter if she had had a face-lift. She replied: "I did have a chin tuck, because there was so

Moscow Replaces Official in Charge Of Carrying Out Economic Reforms

By Gary Lee
Washington Post Service

MOSCOW — Nicolai V. Talyzin, the head of the powerful Soviet Committee for State Planning, has been transferred to another post, the official Tass news agency reported.

performance of the economic revisions. They had been introduced gradually since Mr. Gorbachev came to power three years ago, and are expected to undergo close observation at a major conference of the Soviet Communist Party in June.

Mr. Talyzin, 59, one of the senior officials who was appointed to introduce the economic revisions promoted by Mikhail S. Gorbachev, has been named chairman of the Bureau for Social Development, Tass said Saturday.

social life the understanding that all that is economically ineffective is immoral, and all that is effective is moral."

Yuri D. Maslov, 51, was named the new chairman of the planning committee, which is known as Gosplan. Mr. Maslov was the chief of the Military-Industrial Commission.

He said that under the present system, unattractive interest rates for personal savings discouraged people from making long-term deposits in banks.

The replacement of Mr. Talyzin was viewed by Western analysts here as a signal that the Kremlin was dissatisfied with the slow pace of reforms, and was placing the blame on high-level personnel.

If that were to change, he said, banks could then finance new businesses, making more goods and services available to the people.

In a speech in June, Mr. Gorbachev attacked Mr. Talyzin and other economic officials for not recognizing shortcomings in the Soviet economy. The public criticism was viewed as a warning to Mr. Talyzin that his job could be in jeopardy.

Mr. Shmelov also said that if enterprises were permitted to issue and sell shares and people allowed to invest in them at an interest rate of 7 to 10 percent, state farms and industries would be able to raise "tens of billions of rubles."

The appointment of Mr. Maslov is the latest in a series of indications that officials from the Soviet military-industrial sector are being called on to remedy problems in the civilian sector of the economy.

That position enraged many Democratic senators, who now want to prevent the administration from making the same argument over the INF Treaty.

Mr. Talyzin will keep his position as first deputy prime minister. The Bureau for Social Development handles such matters as housing, transportation and youth.

"The hall's in their court," Senator Nunn said, alluding to the Reagan administration. "We're going to have to have answers."

Mr. Maslov also was appointed a first deputy prime minister. He has spent most of his career as a planner in the defense industry.

He added that it was not the purpose of the committee to hold up the INF Treaty, but he said there would be "some kind of delay" because of the need to rearrange his committee's schedule for witnesses while awaiting Mr. Shultz's appearance.

The shake-up at Gosplan could be the result of an analysis of the

Senate Democrats have criticized Senate Democratic leaders for threatening to delay approval of the treaty.

South Africa Poet Is Refused a Visa

CAPE TOWN — For the second time in a year, the South African poet Breyten Breytenbach has been refused a visa to visit his country, a government official said Sunday.

White House Criticism
Michael R. Gordon of The New York Times reported earlier from Washington:

Mr. Breytenbach, who lives in France, had sought permission to go to South Africa in March to accept an honorary doctorate from the University of the Western Cape. Last year he applied for a visa to visit his hospitalized father.

The White House official on Saturday who said he was providing the official position but who declined to be identified. He also suggested that the public would not support the move by Senate Democrats.

Gerrit van Zyl, director-general of home affairs, said the latest application, like the one in 1967, was turned down. South Africa does not give reasons for visa decisions. The Afrikaans Sunday newspaper Rapport, published in Johannesburg, said Mr. Breytenbach asked his sister, Rachel, to accept the doctorate on his behalf.

State Department officials, by contrast, took a more conciliatory public line, without addressing the specific concerns of the senators.

The officials were dismissed when 14 ministries and government agencies and 83 lower-level organizations were abolished, said the Feb. 6 edition of Pravda Ukraina.

Phyllis E. Oakley, a State Department spokesman, said: "We are confident that the concerns of the senators can be satisfied." She added that Mr. Shultz would be "available to answer all questions" from the senators on this issue.

But the State Department did not say how it would satisfy the Senate Democrats without alienating conservative Republican senators, who are contesting the Democrats' position.

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80,000 Bureaucrats Lose Jobs in Ukraine
MOSCOW — Nearly 80,000 bureaucrats have lost their jobs in the Ukraine as part of a campaign to streamline administration in the Soviet republic, according to the local Communist Party newspaper.

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Whitehead Says Ceausescu Resented U.S. Concern on Rights in Romania
By Henry Kamm
BUCHAREST — After meeting with President Nicolae Ceausescu for nearly three hours, a visiting U.S. official said he had found the Romanian leader unwilling to listen to American concerns about human rights policies.

Iranians Hit U.S.-Owned Ship in Gulf
DURAI, United Arab Emirates — Iranian gunboats raked an American-owned tanker with machine-gun fire Sunday in the southern Gulf, three hours after an Iranian frigate fired warning shots across the bow of another ship, shipping sources said.

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For Both Parties in Iowa Vote, Social Security Is a Main Issue

By Paul Taylor
Washington Post Service

DES MOINES, Iowa — In the few days before the first votes for president are cast, candidates of both parties are zeroing in on specific issues that they think can change minds and ballots.

The most popular issue has been Social Security, the most durable issue in Senate, House and presidential campaigns throughout the 1980s.

On the Republican side, Representative Jack F. Kemp of New York has been using television advertisements, direct mail, and stump speeches to stress his principal rival of wanting to undermine the system, raise his payroll taxes, or cap its benefits.

His targets, in turn, charge him with distorting their positions and "fast-forwarding" the issue in a way that they typically associate with Democratic campaigns.

"I'm afraid Kemp has 'Clamde Peppered' the debate," said Dennis Riegle, Iowa campaign manager for former Delaware governor Pierre S. du Pont 4th, referring to the 57-year-old Florida congressman who champions the elderly.

On the Democratic side, Senator Paul Simon of Illinois released a radio commercial in which he attacked Representative Richard A. Gephardt of Missouri for having "led the fight in 1985 to wipe out cost-of-living increases for Social Security recipients."

The commercial also cited Mr. Gephardt's votes for a 1980 grain embargo that was unpopular in Iowa, for weapons systems such as the B-1 bomber and MX missile, and for the Reagan administration's 1981 tax cuts.

Mr. Gephardt, who had said in a speech last week that any politician who "touched" Social Security would be violating "a sacred trust," responded through campaign staff that Mr. Simon supported a similar proposal in 1985 to cap Social Security cost-of-living adjustments as part of broader deficit-reduction packages.

One surprise of the 1988 campaign is the way such spots have been instigated into each party's internal debates at a time when there is no short-term peril to the financial security of the system.

Early in this decade, when the system was in financial trouble, Social Security was often the subject of cross-party sparring, with Democrats accusing Republicans of not wanting to save it.

In 1983, a bipartisan rescue package put the system on solid ground for the near term. But Democratic congressional candidates found in 1984 and 1986 that, by citing an opponent's vote in favor of benefit reduction or cost-of-living cap, they could enhance their standing in polls.

"I don't think there has been another issue that has affected more races in this decade than Social Security," said Lee Arwater, campaign manager for Vice President George Bush. "You could



Governor Evan Mecham testifying before the Arizona House.

Arizona House Impeaches Governor in a Loan Case

New York Times Service

PHOENIX, Arizona — The Arizona House of Representatives has impeached Governor Evan Mecham for "high crimes, misdemeanors and malfeasance in office."

The resolution of impeachment, which is tantamount to indictment, was adopted Friday on a 46-14 vote, sending the case to the state Senate for trial.

Mr. Mecham is accused of trying to conceal a \$350,000 campaign loan, of borrowing \$80,000 in state funds for his automobile dealership and of trying to thwart investigation of allegations that a state official made a death threat against a former aide who testified before a grand jury about the loan. He has denied all the charges.

Under the state constitution, Mr. Mecham, 63, a Republican, must yield the governor's office to Secretary of State Rose Mofford, a Democrat, who will be acting governor pending the Senate action. If Mr. Mecham is convicted, she will become governor.

Testifying earlier Friday at hearings by a House select committee, the governor asserted that the proceedings were a vendetta by his political enemies and the news media. "I'm going to be able to go on and acquit myself," he said.

The association has chosen to concentrate on long-term health care for the elderly, which has not become what politicians call a "voting issue," largely because all of the candidates agree that more needs to be done.

Other prominent issues in past presidential contests — gun control, abortion and arms control — are almost nonexistent this year. On abortion, for example, all Republicans are basically "pro-life," while all Democrats are basically "pro-choice."

Foreign-policy fights that have dominated other Republican nomination fights are nonexistent.

Last-Minute Caucus Problem: Time to Vote, But for Whom?

By David S. Broder
Washington Post Service

DES MOINES, Iowa — Timothy McCarthy, an attorney, said he will declare himself uncommitted at the Iowa Democratic caucuses Monday night, hoping to send a signal to Governor Mario M. Cuomo of New York to enter the U.S. presidential campaign.

Dean Payton, a banker, said he was leaning toward former Governor Bruce Babbitt of Arizona, who trails in the public opinion surveys. Mr. Payton said, however, that he might vote for Senator Paul Simon of Illinois simply because he thinks it important that the Iowa caucuses "send a strong signal for someone."

Carla Stephan, a housewife, could not make up her mind between Vice President George Bush and Senator Bob Dole of Kansas in the Republican caucuses because "they're both guilty of indulging their little grudges."

"I just don't know yet which is more guilty," she said.

Herman Libs, 80, a retiree, said he was "pretty much decided" on Mr. Bush. But he said his attendance at the caucus in Wapello depended on the weather.

These are four of four dozen undecided voters interviewed last week by The Washington Post, a small fraction of the thousands of uncommitted voters whose final judgment clouds the prospects in both parties and makes the public opinion surveys in Iowa so chancy.

It is not unusual for many caucus-goers to be undecided up to the moment they reach the church, home or office building where their neighborhood caucus is held, or to change their minds during the course of the evening as the discussion and decision-making goes on.

"Uncommitted" won the Democratic race over Jimmy Carter and five others in Iowa in 1976. This year, unlike 12 years ago, there is no organized effort on either side to elect uncommitted delegates to the next rounds of county and district conventions. But campaigns still find scores of genuinely undecided voters in telephone canvassing every evening.

The voters who are considered likely to attend the caucuses Monday and who remain uncommitted have been bombarded by mailings and phone calls from rival campaigns. Unlike undecided voters at the end of the general-election campaign, who often are the least interested and least informed citizens, the uncommitted caucus-goers may suffer from an overload of information that makes choice even harder.

Joan Clark, 61, a retired Des Moines compensation administrator, said, "I read the paper cover to cover every day and all the material that comes in the mail. And I'm just not very happy with the choices."

A registered Republican but a self-described political independent, she said she was "really disappointed" as she watched the intra-party hearings on television last summer. "And can't believe all these Republican candidates are saying Ollie North is a great hero."

"I even thought about switching and going to the Democratic caucus," she said. "I like some things about almost all of the Democrats, but I'm just not absolutely sure. It's not usually this hard for me to make up my mind."

Katie Schneider, 64, is finding it so hard to decide between Mr. Bush and Mr. Dole that she has decided to call the lawyer who sponsored her as an immigrant from Germany 30 years ago and ask his advice.

"Bush is not straight," she said. "I don't trust him too much. But Dole, he's too much of a politician, too. It's important we do what's right, but it's really hard to know."

Several undecided Republicans expressed sentiments like those of Marvin Slagg of Humeson, who said he had supported Mr. Bush in 1980 and was leaning in that direction until the question of the vice president's role in the Iran-contra affair came to the fore.

The interviews suggested that Mr. Bush and Mr. Dole have made it harder for undecided voters to embrace either of them with their sharp personal exchanges in recent days. Mrs. Stephan warned, "How they act the rest of the way will decide how I vote."

On the Democratic side, where most candidates are less well known, the number of undecideds is even greater. It was far from rare to find people going into the last weekend who still had three candidates on their minds.

What the Majority in Iowa Will Do Monday: Something Else

By Maureen Dowd
New York Times Service

DES MOINES, Iowa — There are many here who refer to this week as "the end of the world." The candidates will stop talking to animals and will fly East. The reporters will stop caring that Iowa is the Jell-O eating capital of the country, and will stop buying products of the political tourist industry, such as "Iowa" T-shirts and "Weekend in Des Moines" fingerings.

But there are many more Iowans who are not caught up in the presidential spectacle, and who have no intention of attending the caucuses, and who cannot wait until the bellows and bombast and microphones go away.

"I'm sick and tired of the great galloping horde of candidates criss-crossing the state and burrowing into every nook and cranny, every home," said Betty Dumbough of Storm Lake.

"Every time you turn around you crash into one of them," she said. They're so intense, they're so serious about everything. Enough, enough! I'm so glad that D-day is almost here."

Ms. Dumbough, a Republican who is leaning toward Vice President George Bush, has ignored all entreaties by mail, telephone and friends to stand up for her candidate at a caucus on Monday night.

"I'm not going," she said. "I'm just going to sit home and enjoy the peace and quiet."

She is not exceptional. Ms. Dumbough is part of the Iowa majority.

Even this year, when all the hoopla about the caucuses is expected to draw a larger than usual turnout of voters, this critical first contest will be decided by a sliver of Iowa residents.

According to the Democratic and Republican parties, 1980 was a record year for voter turnout in the Iowa caucuses, with perhaps 210,000 people taking part.

If that many vote on Monday, it would still represent only 7 percent of Iowa's population of 2.8 million. Also, that number of caucus participants would be only 13 percent of the 1.6 million registered voters in Iowa, and only 16 percent of the 1.3 million people in the state who voted in the 1984 presidential election.

So, while a small number of Iowans "decide the fate of the Western world," as one Democratic campaign worker jokingly put it, the vast majority will be doing other things.

Lydia Carter, 62, of Mason City will be at her ceramics class. "I'm making a village scene now and it's really exciting," said the Republican. "Far more rewarding than politics."

Carole Koehler, 40, a Democrat who runs Carole's Beauty Salon out of her home in Webster City, will be in Las Vegas, gambling on slot machines rather than candidates.

"I like to wait until the field narrows down a bit before I get involved," she said.

In Des Moines, where there will be 97 caucuses, other activities are going on as scheduled.

The billiard league will convene at the Do Drop Inn. At the Payless Bingo Parlor at 7 P.M., the same moment that C-Span will begin broadcasting one Des Moines caucus to political aficionados around the country, the "early bird session" will begin. And at Plaza Lanes on the city's West Side, the Principal Mutual Insurance Ladies' Bowling League will compete.

Billie Wade, the league president, said she has had no calls from her 110 bowlers about substitutions. And Melody Thompson, the promotions director at Plaza Lanes, said she was not surprised. "I don't know much about politics, but if I had a choice, I'd go bowling," said Ms. Thompson. "These people have already paid for their lanes."

Those who are shunning the caucuses offer various reasons. Some do not like the idea of revealing their political preference outside the privacy of a voting booth. Some do not understand the complex Iowa system. And some are embarrassed that they have not yet made up their minds.

Over England

An Authority ordered an investigation into the Airways Tristar and a Boeing 747, came near to colliding with the Airbus A300 over the English Channel.

The investigation was ordered by the Civil Aviation Authority (CAA) after a report that the two aircraft were in danger of colliding on Feb. 6.

The CAA said it was "extremely concerned" that the two aircraft were in danger of colliding over the English Channel.

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Back in Lebanon

Relief and Works Agency (RWA) staff members in Lebanon, who have been working in the area since the start of the conflict, are returning to their homes.

The RWA said it was "pleased" to see its staff members returning to their homes.

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Iranians Hit U.S.-Owned Ship in Gulf

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UPDATE

on Strike Backlog

British ferry seamen called off a strike, but the order from their union to reduce a backlog of hundreds of passengers.

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"THE INTERNATIONAL HERALD TRIBUNE: THE FIRST HUNDRED YEARS" is the unique, full-length history of the world's first international newspaper. Author Charles Robertson, a professor of government at Smith College in Massachusetts, spent several years combing through the paper's archives, interviewing its personnel (both active and retired) and then assembling a vast range of materials into a history that reads like biography—the life-story of a venerable but still rapidly changing institution.

The paper's full story is presented here: its colorful roots in Paris of the Belle Epoque, its defiant refusal to leave Paris during World War I, its place in the lives of the "Lost Generation" of Americans drawn to Paris in the 1920s, its dramatic closure and exhilarating revival in the 1940s, its transformation into a global newspaper in more recent years.

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Hardcover, 472 pages, 23 black-and-white photos. Published by Columbia University Press (N.Y.).

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Proceeded by Art Buchwald's riotous introduction, these reproduced texts are not limited to front pages, but include detailed coverage of major events, interviews and features. The material is organized by decades, with introductory essays by Bruce Singer, who also compiled the book, setting the stage for each section (and explaining briefly how the Herald Tribune evolved during the period). In addition, a display of advertisements from the era provides a nostalgic and often amusing ending for each chapter.

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Finland F.M.	1,730	44	950	39	530	33
France F.F.	1,500	41	820	36	450	29
Germany D.M.	580	41	320	35	175	29
Gr. Britain £	130	40	72	34	40	27
Greece Dr.	22,000	53	12,000	49	6,600	44
Ireland £Ir.	150	45	82	40	45	34
Italy Lire	380,000	42	210,000	36	115,000	30
Luxembourg L.Fr.	11,500	37	6,300	31	3,400	25
Netherlands Fl.	650	40	360	34	198	27
Norway (post) N.Kr.	1,800	45	990	40	540	34
— (hd. del.) N.Kr.	2,300	30	1,270	22	700	5
Portugal Esc.	22,000	58	12,000	54	6,600	50
Spain (post) Ptas.	29,000	45	16,000	40	8,800	33
— (hd. del.) Ptas.	45,240	—	22,620	—	11,310	—
Sweden (post) S.Kr.	1,800	45	990	40	540	34
— (hd. del.) S.Kr.	2,300	30	1,270	22	700	14
Switzerland S.Fr.	510	44	280	38	154	32
Rest of Europe, N. Africa, former Fr. Africa, Middle East \$	430	Varies by country	230	Varies by country	125	Varies by country
Rest of Africa, Gulf States \$	580	—	320	—	175	—
Asia \$	—	—	—	—	—	—

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U.S. Still Uncertain About Soviet Afghan Pullout

By David B. Ottaway
Washington Post Service
WASHINGTON — The Soviet Union has been signing scores of local economic agreements with the towns, districts and provinces of Afghanistan, causing U.S. analysts to wonder whether the Soviets are preparing to withdraw their troops or are instead planning tighter control of Afghanistan.

debate within the Reagan administration over whether the Soviets intend to withdraw their 115,000 to 120,000 troops stationed in Afghanistan.

Elie D. Krakowski, director of the Office of Regional Defense at the Pentagon, has publicly expressed his view that the Soviets are engaged in "a game of mirrors" and have no intention of leaving.

State Department analysts, however, generally appear more inclined to believe the Soviet hints that they will withdraw. But even here there is division. One source noted that the indications so far are still "all rhetorical statements," but added: "The Soviets have gone too far now in their statements to retreat. A lot of people would be furious with them if they back out."

as the administration debates how to respond to Soviet pressure — and comply with a possible legal commitment under a UN-sponsored peace agreement — to cut off all U.S. military assistance to the Afghan resistance in return for a withdrawal of Soviet troops.



Angry students raise their fists at Siculo Godfrey Dhlomo's funeral in Soweto.

Police Break Up Funeral in South Africa

JOHANNESBURG — Hundreds of police officers and South African soldiers have used tear gas to disperse mourners and marching students at the funeral of a black youth leader.

the black township since a national state of emergency was declared June 1986. Armed police officers and soldiers in armored vehicles, backed by police helicopters and military spotters, planes, mounted a six-hour operation to restrict access to the church. Security forces surrounded the building and frequently entered it, at one point attempting to arrest a black student standing by Mr. Dhlomo's coffin, in full view of the U.S. consul-general, Peter R. Chaves, and about a dozen diplomatic representatives.

Ecologists Assail EC Agricultural Policy

By Barry James
International Herald Tribune
PARIS — Is the Common Agricultural Policy harming Europe's environment as well as emptying its pockets?

Some ecologists say the policy, which consumes two-thirds of the European Community's annual budget of \$20 billion, seriously endangers wildlife and natural habitats by encouraging intensive farming and by radically altering traditional landscapes.

outside the EC because world food prices are lower. One proposal before EC governments is that farmers should be encouraged with cash grants to "set aside" at least one-fifth of their land for nonagricultural use as a means of reducing surpluses.

that if they are allowed to build on agricultural land they will be helping the food surplus problem.

Yet it is a safe bet, environmentalists say, that when EC leaders meet in Brussels this week to seek a solution to the policy's runaway costs, the problem of protecting natural wildlife habitats will be low on their agenda.

"On the whole I'm on the side of the World Wildlife Fund," said Michael Tracy, a former agricultural economist with the European Council who farms near Brussels. "I'm personally convinced by the evidence about serious water pollution."

Mr. Tracy said he opposes the proposal because it has not worked in the United States, it would be difficult to supervise and it probably would not reduce surpluses much, as farmers would compensate by intensifying production on the land that is not set aside.

The World Wildlife Fund also is concerned about the potential impact of new "Integrated Mediterranean Programs," which have been created to channel \$7 billion to rural parts of Greece, Italy and France to compensate for losses they will suffer as a result of the entry of Spain and Portugal into the EC.

"When proposals are made about the environment, the only thing they care about is that they should not cost anything," complained Karola Taschner, scientific adviser to the European Environmental Bureau in Brussels.

"A lot of people think that what should be encouraged is low-input, low-output kind of agriculture," said David Baldock, an economist with the Institute for European Environmental Policy in London.

Dolf Logemann, of the Foundation for Nature and the Environment in the Dutch city of Utrecht, said the programs are meant to stem a population exodus that "leads to a diminishing of the agricultural expertise which is needed to keep up the landscape."

This also was a reason for setting up the policy. Even so, jobs in agriculture in Europe are disappearing at the rate of one a minute, according to a European Parliament report.

But Secretary of State George P. Shultz said at a news conference Jan. 7 that the United States intends to wait, to assure that there is "a certain inevitability" and "no turning back" in the Soviet pullout, before U.S. aid to the Afghan resistance ends.

U.S. analysts are scrutinizing the economic and technical agreements that the Soviets are signing with the various towns, districts and provinces of Afghanistan. The accords involve Soviet material aid and technical assistance as well as training for Afghans in the Soviet Union.

Soviet officials have told the United States that these town-to-town and province-to-province agreements are a means devised to bypass "the corruption" and "bureaucracy" of the Afghan central government and deliver aid to the grass roots.

IOWA: Gephardt Gains in Poll and Dole Retains Lead

(Continued from Page 1) said of the feud with Mr. Bush, "As far as I'm concerned it's over." He would not resist, however, a verbal shot at Mr. Bush on the Iran-contra affair. "I do think," he said, "there's a feeling out there that somehow, obviously, Bush is more closely tied to that than any of the rest of us."

Senate Republican leader in the hope of shaking up a contest that seems to be going Mr. Dole's way. Speaking to supporters in Des Moines, Mr. Bush conceded that he was running second to Mr. Dole. "We're fighting from behind," he said. "We're trying to come back."

U.S. Ready to Sell France a Secret Radar

By Joseph Fitchett
International Herald Tribune
MUNICH — In a major step toward trans-Atlantic cooperation in developing new weapons jointly, the United States has decided to sell some of its most advanced radar technology to France and possibly other allies for use in planned new European fighter aircraft, a Pentagon official said Sunday.

For the deal to go forward, the two governments must sign agreements on rules to protect the radar's secrets and governing any exports of planes with the new radar.

Mr. Klosek said that similar arrangements probably would be offered to Britain and West Germany for a comparable U.S. radar, the APG-65, built by Hughes Aircraft Co. Both are in the consortium, along with Spain and Italy, that is building the European Fighter Aircraft, which is planned as a successor to the Tornado fighter-bomber.

pean Fighter Aircraft for \$50 million apiece and consider joint production of two advanced U.S. planes, the F-16 and F-18.

ISRAEL: 3 Arabs Killed

(Continued from Page 1) village of Arab and were heading toward Beit Umar.

PEACE: Arias Urges a Halt to Soviet and Cuban Aid

(Continued from Page 1) Salvador and Guatemala to cut that aid."

He said Soviet military aid to the Sandinist government in Managua should also be eliminated, because "disarmament is part of our plan."

Mr. Arias said he had not approached the Soviet Union or Cuba in an attempt to secure their cooperation on halting military aid to Marxist-led insurgencies in the region. But he indicated that he planned to do so.

KOREA: For Trade and Games, Red Is All the Rage

(Continued from Page 1) communist nations had responded to the Olympic invitations.

Thus, while thousands of South Koreans have participated in rallies condemning Pyongyang for the bombing, others have busily pursued the communist boom. Universities, for instance, are trying to find teachers and books for history and prohibited courses on history and society in the communist world.

from communist nations as long as no overtly political material is involved.

Indirect trade between South Korea and the communist world has grown markedly in the past few years. President-elect Roh Tae Won, during his campaign last autumn, promised more trade with China, partly to encourage development of South Korea's impoverished west coast.

Hanoi to Free Prisoners It Deems 'Re-educated'

(Continued from Page 1) BANGKOK — Vietnam will free more inmates of political "re-education camps," including members of the South Vietnamese government, during the Lunar New Year festival this month, the Vietnam News Agency said Sunday.

ALGERIA: Libyan Pact Is Sought

(Continued from Page 1) But Colonel Bendjedid indicated indirectly that he feared the Soviets would take advantage of Colonel Gadhafi's isolation to expand their presence in Libya and change the balance of power in the area.

DOONESBURY

IT'S CALLED RETIN-A-JEFF. IT'S A CREAM, WHAT'S THAT, DADDY?

ASPIRIN. FOR DADDY'S HEART, HEY, THERE'S MY HAIR STUFF?

AND WHAT'S THAT?

DOONESBURY comic strip panels showing characters talking about Retin-A-Jeff cream, Aspirin, and hair stuff.

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Noriega Orders Inquiry Amid Apparent News Crackdown

By William Branigin
Washington Post Service

PANAMA CITY — In response to an indictment by a grand jury in Miami on charges of drug trafficking and racketeering, Panama's military leader, General Manuel Antonio Noriega, has ordered an investigation of his accusers, amid signs of a crackdown on the news media.

In a letter published Sunday in newspapers he controls, General Noriega asked Attorney General Carlos Villalaz to open an investigation to determine who is responsible for the accusations.

The general, who effectively rules Panama as commander of the Panama Defense Forces, asserted in the letter that U.S. Justice Department officials had recklessly leveled false charges against him.

The demand for an investigation appeared to be aimed at two former close associates of General Noriega: José Blandón, who was Panama's consul general in New York until he was dismissed last month; and Floyd Carton, formerly General Noriega's personal pilot.

Both testified before a federal grand jury in Miami, alleging that the general was involved in money laundering and drug trafficking in association with a Colombian cocaine ring.

Earlier, General Noriega accused the U.S. government of seeking to suppress his political ideas, which he characterized as progressive and nonaligned.

In an impromptu speech to leaders of the pro-Noriega Democratic Revolutionary Party on Friday night, he asserted that U.S. attacks on him stemmed from a desire by Washington to retain control of the Panama Canal and maintain the strategic position of the U.S. military's Southern Command.

Under the 1977 Panama Canal Treaties, the United States agreed to turn over control of the canal to Panama at the end of 1999, at which time responsibility for defending the canal is to pass to the 15,000-member Panama Defense Forces. Washington has denied that it has any intention to reneg on the treaties.

In his speech Friday night, the general repeated allegations that, in December 1986, Rear Admiral John M. Poindexter, then head of U.S. National Security Council, demanded during a visit to Panama that General Noriega turn his country into a beachhead against Nicaragua, withdraw from the Contadora group of Latin American countries seeking a Central American peace agreement and depoliticize the Panamanian military.

General Noriega contended that his troubles with the United States arose from his rejection of these demands. U.S. officials have denied this version of the general's meeting with Admiral Poindexter, who later resigned.

In another reaction to the grand jury indictment, the Panamanian government reportedly recalled its ambassador to Washington and its representatives to the United Nations and the Organization of American States. The state-run Radio Nacional said the Foreign Ministry summoned the three envoys Saturday to a meeting in Panama City to discuss diplomatic relations with the United States.

The general staff of the Panama Defense Forces has ordered the withdrawal of at least five military students from the United States, a military communiqué said. Spokesmen for the Foreign Ministry and the military were not immediately available for comment.

Also Sunday, as part of an apparent crackdown on the news media, connected with reports on the indictment, the police took over the offices of an opposition newspaper, El Siglo, which had recently resumed publishing after being closed for six months.

The newspaper was among several opposition or independent news organizations that were banned by the military in a previous crackdown.

On Friday night, officials from the Ministry of Government and Justice closed the radio station Z.W. Continente after it broadcast a report from Washington about the indictment against General Noriega. In ordering the closure, Government and Justice Minister Rodolfo Chirri De Leon said that the station's recent broadcasts had incited people to violence and attacked the security of the state.

A lawyer for the radio station, Rogelio Cruz, called the move unconstitutional and arbitrary. Panama's largest opposition newspaper, La Prensa, criticized

General Noriega's demand for an investigation Sunday and challenged him to disprove the charges against him.

Vice President Roderick Lorenzo Esquivel has also called on General Noriega to answer the charges, saying that it would be shameful for the government and the people to have in office military and civilian officials who do not respond with proof to accusations against them.

Although he still holds the title of vice president, Mr. Esquivel was evicted from his government office late last year after publicly criticizing General Noriega, and he no longer performs official duties.

Besides such comments and a few small street demonstrations by Noriega opponents, however, the U.S. indictment has not elicited much public reaction. Panamanians have long been aware of the allegations against General Noriega, and many people are more preoccupied with preparations for Carnival, the annual pre-Lenten celebration.

Opposition leaders said they did not plan to mount any protest activity against General Noriega until after Carnival ends Feb. 17.

Contra Morale May Be First Casualty of Aid Vote

By Bernard E. Trainor
New York Times Service

WASHINGTON — The rejection by Congress of President Ronald Reagan's plan to aid the Nicaraguan rebels is a psychological blow for the contras, but it will have little immediate effect on their ability to fight.

Western analysts estimate that the rebels have from one to six months' worth of U.S.-supplied arms and other equipment stored in Honduras and in the mountains inside Nicaragua. Ultimately the contras must develop other sources of resupply.

In discussions over the last two months, officials and military officers in the United States and Central America have agreed that the contras probably are strong enough to carry on their guerrilla war in Nicaragua even with a cutoff of U.S. aid. Some Nicaraguan govern-

ment field commanders say they agree that the contras will not fade away because of a lack of U.S. support.

The loss of U.S. arms, particularly the shoulder-launched Redeye anti-aircraft missiles now in the contra arsenal, ultimately will hurt the contras unless they come up with other sources. The missile has been used effectively against Sandinist helicopters.

But for now it is the contras' morale more than their fighting ability that will suffer as a result of the House of Representatives vote cutting off aid.

Guerrilla movements have historically survived reverses and adversity as long as they have pockets of popular support. The governing Sandinists say there is no support for the rebels in Nicaragua, but the ease with which the contras have moved undetected through the mountains and have concentrated

large forces for attacks in recent months contradicts that assertion.

To prevent the rebels from building support among the population, the Sandinists have relocated thousands of peasant families from isolated farms in areas where contras are known to be active to sites under government control. This relocation program has been successful in cutting off food and other support for the contras, even though many of the displaced farmers resent being moved.

Despite a vigorous anti-guerrilla campaign by the Sandinists in the last year, thousands of well-equipped contras have entered Nicaragua from camps in Honduras. They now operate in strength in three regions along the mountainous spine of Nicaragua.

The contras say they have 14,000

men under arms in Nicaragua; Managua puts the number at about 8,000. For most of 1987, they were supplied by U.S.-sponsored air-drops, at a rate of more than one flight a day.

A ready source of supplies for the contras is the Sandinists themselves. Living off the enemy is a traditional guerrilla tactic when external support does not exist. If the contras are to be effective in the months ahead, it is logical that they will increase attacks against isolated garrisons and farm cooperatives to capture supplies.

A year ago, the contras were not strong enough for such a strategy, but when the aid voted by Congress in October 1986 began to reach them, their ability to attack improved dramatically.

But the Sandinists also are better prepared to fight than they were a year ago. Their counterinsurgency

battalions have become battle-hardened and tactically proficient, and the number of Sandinist troops in the field has increased.

Reagan Says He'll Push For Nonmilitary Aid

WASHINGTON — President Ronald Reagan said Saturday in his weekly radio address that he would work with Congress on a package of nonmilitary aid for the Nicaraguan rebels.

Mr. Reagan criticized the House vote rejecting arms aid, but he said: "I understand that some in Congress have already begun to develop an alternative assistance plan. I will work with both parties to see to it that the fact we disagree does not mean that America cannot act."

U.S. Acts to Allow Patents on New Animal Forms

By Keith Schneider
New York Times Service

WASHINGTON — The U.S. Patent and Trademark Office, in a policy that could substantially change how livestock and poultry are sold, has determined that companies holding patents on new animal forms have the authority to require farmers to pay royalties.

Although still in its infancy, the technology of producing new animals is expected to become a major force in agriculture in the 21st century.

The royalties would be paid on the sales of patented animals and on generations of their offspring, meaning that farmers would have to pay patent holders a fee for adult animals and for generations of calves, colts, lambs, chicks and piglets produced through the 17-year life of the patent.

Such a system of royalty payments would treat new animal forms like mechanical inventions and would be a sharp departure from usual practices in which farmers pay

breeders for adult animals or for stud services and then are free to produce offspring without additional payments.

The policy stems from a ruling in April by the Patent Office, a division of the Department of Commerce, to allow companies to patent higher forms of life, including animals, that have been altered through a number of methods.

These might include gene-splicing, genetic alterations that use chemicals or radiation and fusing embryos of different species. The last has been used in California to produce geeps, new animals with traits of both goats and sheep.

The consequences of the royalty policy are far from clear. Although there is disagreement, many experts said that they believed royalties would attract more funds for research to realize such startling innovations as splicing genes from mice into pigs to produce sows that could give birth to 25 piglets, more than double the average litter today.

Officials at the Patent Office said that the

policy on royalties would not take effect until the first animal patent was granted, perhaps by next spring. They said 17 applications were pending.

In laboratories across the country, genes from different species are being inserted into farm animals to produce new forms of livestock that scientists predict will have many more marketable traits than livestock raised today, such as the ability to grow twice as big twice as fast.

Some authorities said patents, which give inventors the exclusive right to control their inventions for 17 years, combined with royalty payments, which patent attorneys and breeders said could cost hundreds of dollars for each animal, would enable a few major agribusiness companies to gain limited monopolies on the development and dispersal of animals created through genetic manipulation that would be superior to those produced conventionally.

The main economic issue, said opponents and proponents, is the right of breeders to

gain payments for traits that are hereditary and extend through generations. Experts said that U.S. patent laws covering living things have never included animals and never required royalty payments beyond the first generation.

"This is a profound right that the government is about to give the private sector," said Jack Doyle, director of the biotechnology project at the Environmental Policy Institute in Washington. "We're really stepping onto new ground here."

Experts predicted that individual ranchers, who have normally played an important role in improving livestock by managing their own herds and through breeding associations, would be unable, for the most part, to afford the new technology.

But many scientists say they believe that the improvements will be gradual, that patented livestock will trickle onto the market, and that normal economic forces will come into play and help farmers absorb the additional costs of the royalties.

Supporters of candidates who are not viable can move to other camps. This means that candidates battling not only for one support but also to emerge as a good choice of backers of candidates.

Mr. Manigat spoke after receiving the red-and-blue presidential sash. The Democratic party endures are far more complex than a candidate needing at least 50 percent in each precinct to be elected and win support in the final delegates to the county convention next month.

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Military vehicles patrolling in Haiti after a strike was called.

Haiti Installs Manigat, Who Promises Reforms

The Associated Press

PORT-AU-PRINCE, Haiti — Leslie F. Manigat, 57, took the oath of office as president Sunday, pledging to improve living standards and lead Haiti to democracy after three decades of dictatorship.

In a 50-minute inaugural address on the steps of the Legislative Palace, Mr. Manigat said Haitians were "tired of being sick, badly housed, illiterate, abused." He said, "This country needs peace, unity, work, liberty, justice."

"The people are counting on us to 'push back' totalitarianism and realize a new era of democracy," he said. The ceremony was attended by diplomats from about 30 nations.

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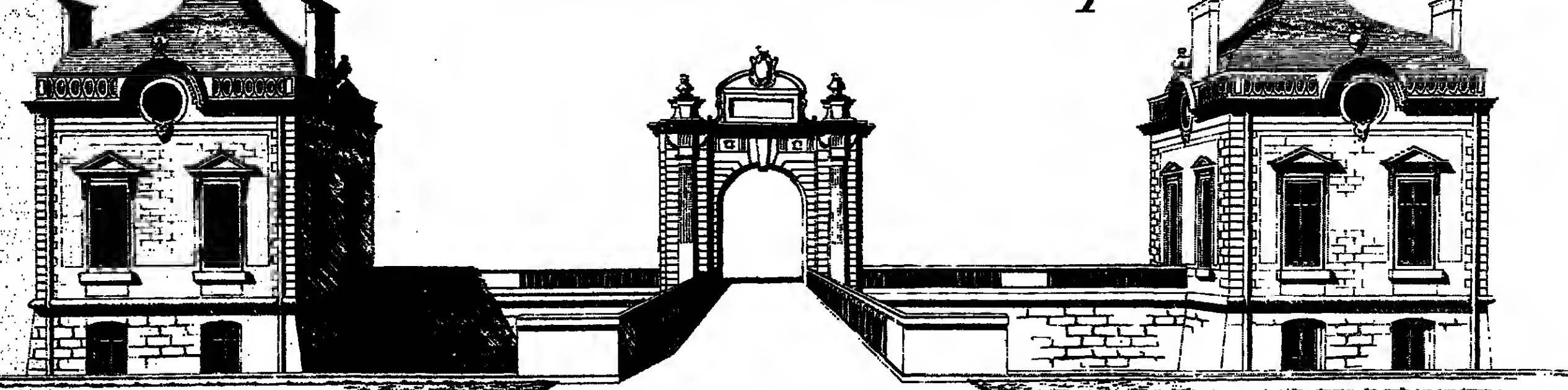
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Do you Know Blérancourt, The Museum of French-American Friendship?



The Château de Blérancourt, a seventeenth century masterpiece by Salomon de Brosse is located 125 km (80 miles) north of Paris near the historic town of Compiègne (see map). The main body of the Château was destroyed during the French Revolution but four exquisite pavilion buildings remain in which the museum is housed.

The Blérancourt museum was founded by Anne Morgan, daughter of the financier J.P. Morgan, who bought the property in 1917 to shelter the wounded and homeless during World War I and subsequently lived there for many years. While at Blérancourt, Anne Morgan collected works of art and documents reflecting the history of Franco-American relations from the American Revolution to the present day. In 1929 she presented Blérancourt and its collections to the French government and it was given the status of a French national museum and was officially named the Museum of French-American Friendship.

The exhibits, composed of paintings, sculpture, historical memorabilia and documents are extremely varied and everything in the museum illustrates either historically or artistically the close relationship between France and the United States over the

past two centuries. Among the most moving souvenirs on display are a Ford ambulance used by the American Field Service during World War I and the order for D-Day dated June 6, 1944, signed by General Eisenhower.

The museum also illustrates the rich cultural and artistic exchanges between the two countries, with exhibits from the many French artists drawn to America for inspiration as well as those American painters influenced by France.

Led by its dynamic curator Pierre Rosenberg, Blérancourt has exciting plans for development, including the expansion of the museum's art collection through the permanent loan of fifty paintings from the Louvre, the Musée d'Orsay and the Centre Georges Pompidou. This permanent exhibit will be housed in one of the pavilions — renovated and expanded for the purpose. In the surrounding grounds, a botanical museum has also been created using American

species. It includes an arboretum of American trees selected for their autumn foliage.

The French government has responded by increasing its subsidy but substantial outside funds will also be needed. A fully tax-exempt US foundation — American Friends of Blérancourt, Inc., has been established and the Florence Gould Foundation has contributed a special matching grant of \$500,000. Other leading foundations as well as leading companies with Franco-American ties also contributed: Dillon Foundation, Disney Foundation, Frederic Henry Prince Foundation, Mona Bismarck Foundation, Seth Sprague Foundation and Air France, Caron, Elegance Inc., France Telecom, I.B.M., Manpower,

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INTERNATIONAL Herald Tribune

Back to the Mideast

The urgency generated by the Palestinian riots and the Israeli reaction to them has propelled the United States into a new Middle East mission.

West Bank — trying to locate local leaders acceptable to both Israel and the PLO. The idea is to use the time up to the U.S. and Israeli elections of next November to build the halfway house of Palestinian autonomy contemplated in the Camp David accords.

Honecker's Sacrifice

At a mid-January march commemorating Rosa Luxemburg, the German communist murdered in 1919, East German police arrested 120 activists.

Even as the East German drama played out, activists in Poland, Hungary, Czechoslovakia and the Soviet Union demonstrated against harsh repression in Romania.

A Few Details in Iowa

In the last days of campaigning before the Iowa precinct caucuses, when any little thing can make the difference, the candidates' campaign consultants have tried to supply the candidates with everything they need.

Welcome to the big leagues of American politics. Of course, sometimes the best surprise is no surprise at all; and in the stretch run in Iowa, Paul Simon's ads are designed to show that he is just the same aw-shucks guy he used to be.

Other Comment

In Search of Latin Peace Now that the House of Representatives has killed President Reagan's last hopes of official aid to the Nicaraguan contras, the real debate in the United States on the future of Central America should begin.

opportunity of delivering them a strong message. That message should be that the Europeans, important trade partners for the Central Americans, want to see progress toward civilized politics not just in Nicaragua and Costa Rica, but also in Guatemala, Honduras and El Salvador, which lamentably continue to be bywords for barbarity.

An Iron-Fisted Future Confronts the Israelis

By Abraham Rabinovich

JERUSALEM — If the Palestinians win a state of their own, one of the first statues that deserves to be erected in their central square is of Khaled Akra, the young fighter who crossed the Israeli border from Lebanon on the night of Nov. 25 on a hang glider and attacked an army camp near the town of Kiryat Shmona.

overdid it. Soon, hundreds of Palestinians required medical treatment. There were numerous excesses, including the beating of men over 70 and boys of 10, before the military command drew clear guidelines limiting the "beat" order to those actively involved in acts of violence.

OPINION

Q. HOW DOES ISRAEL SUPPRESS PALESTINIAN NATIONALISM?

A. MIGHT, POWER AND BEATINGS.



U.S. Jews Discover the Palestinians

By Anthony Lewis

STANFORD, California — When you see your best friend acting in a way that will ruin his life, do you pretend not to see? Do you insist to others that it is really not so bad as it looks? Do you tell yourself that it is his business, not yours?

eyes. They say, for example, that the U.S. press has been unfair in its portrayal of the Palestinian protests and Israeli response. But Israel's press has been just as blunt in reporting the instances of beating randomly selected Palestinians.

Another cause for concern is that some American Jewish leaders continue to deny the reality of the grievances felt by Palestinians in the West Bank and Gaza. For Jews to lack sympathetic understanding of their own lives seems especially sad.

Q. HOW DOES ISRAEL PROMOTE PALESTINIAN NATIONALISM?

A. MIGHT, POWER AND BEATINGS.



A Warning to Heed: The Lessons of Black Monday

By Henry Kaufman

NEW YORK — Last October, a bluish financial disaster in the world's stock markets wiped out \$1.7 trillion in equity values, including \$700 billion in the United States. Fortunately, this shock did not spread to the currency and fixed-income markets, as it easily might have under not too different circumstances.

1. There is the secular underlying trend of the "institutionalization" of savings, which, combined with the increasing "securitization" of markets, will continue to contribute to big swings in market prices.

2. There is the globalization of financial markets, which has been a major factor in increased volatility. The U.S. stock market did not collapse in a vacuum on Oct. 19. Major markets abroad fell, some even more than the U.S. market.

3. There is the secular underlying trend of the "institutionalization" of savings, which, combined with the increasing "securitization" of markets, will continue to contribute to big swings in market prices.

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Why Bush Refuses To Answer

By William Safire

WASHINGTON — Why can't George Bush come clean on his participation in the arms-for-hostages decision? Why does he respond by attacking the press for daring to ask the question, or by hiding behind his confidential relationship with the president, or by claiming that he's already answered everything?

Because it is not that easy, indeed, resolving the inherent contradictions in his story may be impossible. Here is an attempt to deal with the real world of his imprisonment.

Let us assume, for argument's sake, that the CIA chief at the time, William Casey, discussed with the vice president, who is a former CIA director, the vexing problem facing U.S. intelligence a few years ago: the capture of the CIA station chief in Beirut, William Buckley.

The concern here went beyond compassion. Honor among spooks was also involved: The world of spies expects a nation to strain to get back its captured agents with trades or rids. Moreover, our man was being tortured to extract from him the names of our entire network in the Middle East, so getting him out was a matter of national security.

Let us assume further that the idea of dealing with Iran, put forward by national security aides, Robert McFarlane and John Poindexter, was not couched in stark terms of arms-for-hostages. In the real world, people tend to slip around such harsh reality; this could be presented as a way of dealing with influential intermediaries, not as paying ransom to the actual terrorist kidnappers.

Now we come to what makes campaigning so difficult for Mr. Bush. He is the hostage of his past statements. He thought it would be safe to say at first only that he "supported the president's decision," but that evasion intimated that he went along with it afterward, not before.

Then he said that he "expressed misgivings," to give the impression he had been sort of on the side of those opposing the deal; in fact, it turns out that the key reservation was about dealing through the Saudis.

His third line of defense was that he was "out of the loop," deliberately excluded from key meetings in which presumably he would have changed the direction of events. "My first real chance to see the picture as a whole didn't come until December 1986," when the whole world knew.

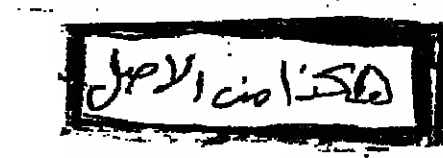
100, 75 AND 50 YEARS AGO

1888: Clash in Abyssinia ROME — A despatch from Massowah states that a body of irregulars, under the command of Chief Adam, who had been sent to protect the retreat of the Ancher, Chedam-sega and Tera tribes with their cattle, had a skirmish yesterday evening [Feb. 6] with some of Ras Alula's soldiers, who were attempting to cut off the retreat of the tribes. Six Abyssinians were killed and one was taken prisoner. There were no Italian casualties. The tribes now occupy the hills outside the Italian lines.

1938: Franco Is Warned LONDON — Foreign Secretary Anthony Eden was warned in the House of Commons this afternoon [Feb. 7] as he served notice on the Spanish Nationalist Commander, General Franco, that he can no longer sink British shipping with impunity, but will have to reckon with the full strength of the British Navy, which has orders to sink at sight all submarines found submerged in the western Mediterranean. The severe tone of Mr. Eden's remarks might hint that Britain is nearing the breaking point with General Franco and his chief backer, Premier Mussolini.

1913: A Plea for Indians

PARIS — [The Herald Says:] Strongly confirmatory of the Herald's exposures of neglect and ill treatment of the nation's Indian wards is the special report of the Surgeon-General of the United States Public Health Service. "Trachoma and tuberculosis are rife among them. In many tribes approximately one-half are affected



PROFILE

Martin Zweig: Market Timer Sees Signs of Trouble

By Cynthia Catterson



Martin Zweig is bothered by similarities with 1929.

BY HIS OWN admission, Martin Zweig is a chronic worrier. He worried about a stock market crash more than a month before it occurred. He worried about the magnitude of the collapse on the weekend before Oct. 19. And, much to the dismay of many of his colleagues on Wall Street, he is still worried.

"I just don't know how we are going to get out of this mess," laments Mr. Zweig, who believes there are too many haunting similarities between October's debacle and the 1929 crash. "In 103 years of peacetime, there were 11 cases where the Dow was down 30 percent or more and every time a recession or depression followed. That fact obviously bothers me."

This may come as disturbing news to many investors. At 45, Mr. Zweig has earned a reputation as one of the most astute market timers in the business. His newsletter, The Zweig Forecast, has consistently been ranked among the top performers by Time's Digest, which rates how well newsletters call the market. And he was one of a handful to warn of an impending downturn in the market before the Oct. 19 collapse.

Mr. Zweig's success also has spawned a thriving money management business. He oversees \$900 million for institutions and \$90 million for wealthy individuals. And in 1986, he launched the Zweig Fund, a \$325 million closed-end fund.

From June 1980 to November 1987, the portfolio recommendations in The Zweig Forecast generated a total return of 342.2 percent, compared with 204.7 percent for the Standard & Poor's 500 index, according to Hulbert's Financial Digest, which tracks newsletter recommendations.

Now that the stock market has recovered from its October lows, Mr. Zweig says his indicators give him reason to feel positive about the next one to three months, the kind of intermediate term that is his specialty. In broad terms, his timing model is based on monetary trends, trading momentum and investor sentiment.

Interest rates have not climbed back, he notes. And there appears to be sufficient cash around to keep the market moving. He says that cash accounts for about 9.4 percent of mutual fund assets. This is down from 11.1 percent immediately after October's collapse, but still high enough to be considered a positive indicator. Likewise, his momentum model, which

measures advances and declines in terms of price and volume, is positive.

When looking at the longer term, however, Mr. Zweig is uneasy. In fact, he believes the market will not show its true nature until sometime in the second half. "I think we are in a rally of a bear market similar to the rally that followed the crash in 1929," he says.

That rally lasted through April 1930, with the market regaining about half the ground it lost in the crash. "With everyone expecting the Dow to go to 2,200 this spring, it probably won't ever happen," he says.

Mr. Zweig believes the market's downside risk is far greater than what could be gained in a rally of a few hundred points. The spring rally of 1930 was followed by seven successive downward selling waves of similar magnitude to the crash of 1929. During that period the market lost 89 percent of its value; the economy tumbled into the Great Depression. "Could you imagine seven more Black Mondays?" he says.

Based on his indicators, Mr. Zweig believes there is about a 60 percent chance for a 1929-1932 scenario to be repeated in the coming years. Particularly disturbing to him are the correlating patterns he finds between events leading up to the declines in 1929 and October last year.

Tracking 1929 most of last year is what got me out of the crash," he says. "And looking at 1930, I don't see that the difference between that period and right now are all that significant. I think the similarities are more meaningful."

Both were preceded by a business recovery with moderate consumer price growth and a subsequent slowdown. This, in turn, was followed by another economic recovery, as was the case in 1929 and 1987. The stock market, says Mr. Zweig, was understandably vulnerable last October. "The only time stocks were more overvalued in terms of earnings and price-to-book ratios was in 1929," he explains.

Now, as he looks at the post-crash era, Mr. Zweig is concerned by the Federal Reserve Board's reluctance to expand the money supply because of the weak dollar. Roughly 50 percent of his timing model is based on monetary indicators.

"Historically, slow money growth has led to recessions or really bad stock markets within a year or

less." He says the problem is compounded by overextended consumer debt and record low levels in personal savings.

Indeed, it was the Fed's decision last September to raise its discount rate that finally convinced him to raise a sell signal to his 13,000 subscribers. At the time, he said there was a 50 percent chance that the market would have a greater than 10 percent drop and advised the subscribers to his \$245-a-year newsletter to reduce their stock exposure to 67 percent and invest 1 percent of their portfolios in November put options.

On the eve of the collapse, he was telling clients using his telephone hotline service to reduce their market exposure to 8 percent, investing 3 percent in puts, and leaving the rest in cash. In the weeks that followed, the Dow Jones industrial average fell almost 40 percent from August's record high, while Mr. Zweig's model portfolio gained about 13 percent.

Volatility is another source of worry to Mr. Zweig. Based on a daily average, the Dow Jones average has been swinging up and down by roughly 3.5 percent. This degree of volatility has not been seen since 1929, he argues, and has eroded investor confidence. Further bruising confidence has been programmed trading, he says, because it has made it even harder for investors to get out of a falling market.

Mr. Zweig does not expect the market to take a turn for the worse until sometime later this year. However, he has already started to reduce his equity exposure, going from 80 percent in the beginning of the year to 68 percent.

When picking stocks, Mr. Zweig uses computer programs to select issues on the basis of earnings momentum and attractive price/earnings multiples. He also reviews Wall Street reports in search of companies whose earnings have been underestimated, betting that future revisions will boost the price of a stock.

For the time being, Mr. Zweig is not recommending any stocks. He holds 10 in his model portfolio, however. These include Apple Computer, Canadian Pacific, Louisiana Pacific, Walt Disney, Northwestern National Life, USX, Caesars World, IRW, Transamerica and Firestone.

Mysteries of Market Timing

Continued From Page 7

measures of momentum: how fast the market and key sectors are rising and falling. These include such statistics as the Dow Industrial's 30-week moving average and daily readings of the number of advancing versus declining stocks. A second set of indicators measures investment sentiment. These include various measures of short-selling activity, the sale of borrowed stock in an effort to cash in on a market decline. A final group of indicators tracks monetary policy, including gold prices and banking reserves.

Mr. Weinstein says no single indicator influences his decision to issue buy and sell signals. "The weight of evidence" of all the indicators is the key, he says. "The trick is not to get wedded to any one scenario." He keeps a close eye out for

what he likes to call "negative divergencies," cases when indicators that usually move in tandem suddenly move in opposite directions. One example would be if his chart of advancing versus declining stocks is setting new highs, but the Dow average is not.

Many students of stock markets remain skeptics.

Currently, Mr. Weinstein is neutral for the short term and bearish over the long term. There is too much "complacency, not fear," he says. "When the market really hits the bottom, blood is running in the streets."

Mr. Latts puts the emphasis on interest rate trends. He uses interest rates to construct what he calls his Power Index.

Despite the success of several timers in sidestepping last October's sell-off, many students of stock markets remain skeptics.

The argument goes back to age-old arguments about the nature and predictability of markets.

Stephen Ross, a professor at the Yale School of Management, agrees that "nothing determines performance as much as the allocation of assets and when an investor does it." But, he adds, "If timing works, it is still very hard to do."

A study published recently by Richard S. Woodward and Jess H. Chua of the University of Calgary concludes that to be successful over long periods of time, a timer must predict 80 percent of all bull markets and 50 percent of all bear markets. (The difference in the percentages reflects the historical updrift in stock prices.)

Mr. Athey at T. Rowe Price regards aggressive timing strategies as a "hazardous endeavor." Technicians, he says, echoing a number of colleagues, are a "weird lot."

Still, Mr. Hulbert is not so quick to dismiss the usefulness of timers. "It's too easy to poke holes," he says. "Yes, there are some charlatans out there. But there also are timers with consistently good records."

1987's Top Timers

The best-performing market timers tracked by Time Digest from Jan. 2, 1987 through Dec. 31, 1987. The performance index measures results against the Standard & Poor's 500 index, which is based at 100 at the start of the period. Some opinions may have changed since publication of the rankings on Jan. 4.

	Performance index	Opinion at year-end	Most recent signal
Stan Weinstein Professional Tape Reader	175.7	Bullish	Dec. 8
Craig Corcoran Davis/Zweig Futures Hotline	164.8	Bullish	Nov. 11
Martin Zweig Zweig Forecast	160.8	Bullish	Dec. 30
Lewis Stocks Superdow	155.8	Bearish	Dec. 31
Steve Todd Market Master	154.3	Bullish	Dec. 4
Peter Eliaides Stock Market Cycles	151.3	Bullish	Dec. 14
Gerald Gordon Gordon Market Timer	150.1	Bearish	Dec. 29
Charlie Hooper Mutual Fund Strategist	143.0	Bullish	Dec. 30
Bernard Schaeffer The Daily Trader	140.6	Bullish	Oct. 20
Heinz Petzold Petzold On The Market	136.1	Bearish	Nov. 30
Standard & Poor's 500	100.3		

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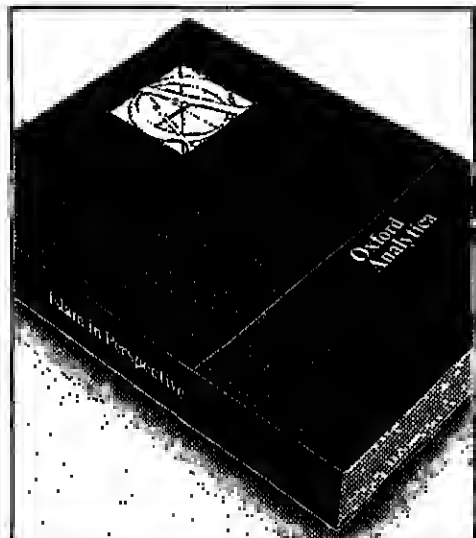


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Table with columns: Date, Most recent signal. Rows: Dec. 8, Nov. 11, Dec. 30, Dec. 31, Dec. 4, Dec. 14, Dec. 29, Dec. 30, Oct. 20, Nov. 30.

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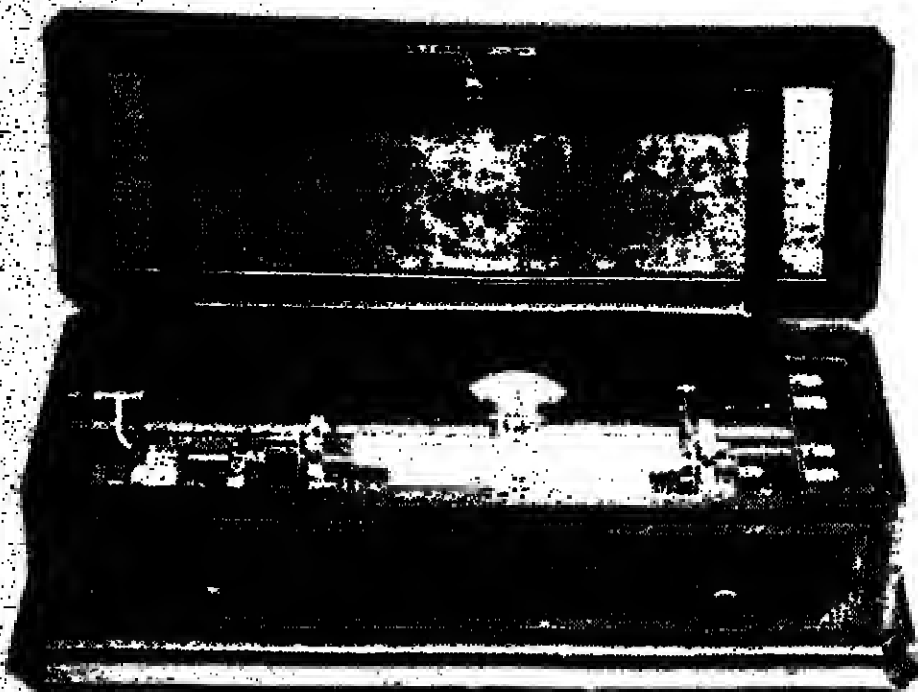
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COLLECTING



A Swiss cylinder music box by Troll & Baker, late 19th century.

An Ear for Musical Value

By Alice Oshins

WHILE MOST collectors rely on visual instinct to appraise prized possessions, those who collect music boxes have decidedly different criteria. For these enthusiasts, sound is the chief measure of aesthetics — and value.

When people buy music boxes, they close their eyes and just listen to the music, says Dana Hawkes, collectibles expert at Sotheby's in New York.

As more people listen, prices for these precious boxes are rising. Yet, the market for music boxes is characterized more by stability than by speculation.

Ziegfried Wendell, director of the Museum for Mechanical Instruments in Ridesheim, West Germany, estimates that the value of music boxes is appreciating at an annual rate of 5 percent to 10 percent.

By late 1800s a music box using a disc was introduced in Germany by Polyphon, a Leipzig company, which also sold them in the United States after founding Regina. The Rahway, New

Jersey, company is better known nowadays for its home appliances.

The disc music box was generally louder and livelier. For example, "Yankee Doodle" and "Bill Bailey Won't You Please Come Home" were American favorites.

Whether the music is produced by a disc or cylinder generally does not affect the value of a music box.

Nevertheless, certain markets have preferences. Over the last four years, for instance, Japan has become one of the strongest markets for disc music boxes.

Regardless of the type of box, the quality of the sound remains the overriding concern. Here, the length of a cylinder or diameter of a disc is a key factor because the greater the surface area, the longer it takes for a complete revolution.

This tends to boost value. At a December 1987 auction at Christie's in London, a 2 1/4-inch disc Polyphon box fetched \$8,500, more than \$3,000 above its anticipated price.

Maintaining the quality of the sound can be costly, however. Music boxes are mechanical and require tuning and repair. Indeed, it is not uncommon for the cost of restoration work for a broken box to exceed its resale value.

FUNDS

Finding the Right Money Market Fund

By Joan Westreich

THE RESURGENCE of investor interest in U.S. money market mutual funds should come as no surprise. Since Oct. 19, the waning volatility of global markets has heightened the appeal of these safe, extremely liquid cash accounts.

According to the Investment Company Institute, an industry trade organization, in mid-October, \$247.2 billion was on deposit in taxable funds, while the less-popular tax-free category contained \$66.1 billion.

Today's yields are far from the double-digit yields of the early 1980s that buttressed the popularity of money market funds.

With yields so modest and the financial environment so volatile, it makes even more sense for investors to do a little comparison shopping.

The place to start is with the fund's prospectus, available directly from the fund sponsor or through a brokerage.

Among the first decisions is whether to choose a tax-free fund. "These make sense only for individuals in the highest income brackets," says John Markese, director of research for the American Association of Individual Investors.

Another question is whether the services offered by the fund meet personal needs. Money market funds offer a range of services, which may include check-writing privileges, telephone switching into equity and bond funds, wire redemption, and provisions for individual retirement accounts.

The minimum initial investment typically is \$1,000, but may vary from \$250 to \$10,000. Some funds have no minimum deposit requirement.

The funds, which are regulated by the Securities and Exchange

The U.S. funds differ in crucial ways, so shopping around can pay off.

Commission, may invest only in the safest, most liquid, short-term securities available in the money market. Typically, money funds include a mix of U.S. Treasury bills, other U.S. government agency notes, top-rated commercial paper and bank certificates of deposit.

The most conservative investors may want to be in a fund denominated in U.S. Treasury debt only, though they should not expect superior yields.

Another risk-related issue is how aggressively the fund manages its assets. Here, the average maturity of the financial instruments in the fund can give an indication.

"Maturity is an indicator of where managers think interest rates and yields on money funds will go," says Ms. Cook. Fund managers trying to increase yields often buy instruments with comparatively longer maturities.

Longer maturities, though, mean a bit more risk and can make for more volatile returns. The maximum maturity allowed on the

Vanguard Group of Valley Forge, Pennsylvania. "It has been a companywide goal to beat back expense ratios without cutting back quality or service," says Brian Mattes, company vice president.

Donoghue's Money Fund Report ranks Vanguard M.M.R. Prime, with its 6.64 percent yield, as the No. 1 for 1987 among taxable funds with assets of \$100 million or more.

At the end of November, Vanguard M.M.R. Prime's assets were invested 84 percent in domestic money market instruments such as

bank certificates of deposit, commercial paper and bankers acceptances. In addition, it held 10 percent in so-called repurchase agreements and 6 percent in U.S. government agency paper.

One fund group taking a more global view is Huntington Advisors of Pasadena, California. It operates money market funds in six different currencies, including the Japanese yen, Deutsche mark and British pound, as part of its International Cash Portfolios.

The group includes a Global Portfolio that invests in a wide range of instruments in various currencies to maximize the fund's value in dollar terms.

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1987's Top Yields

Top-performing general purpose money funds in 1987 with assets over \$100 million

Table with columns: Fund, Yield as of Dec. 31, Assets (\$ millions). Rows include Vanguard M.M.R. Prime (6.64%, \$4,295.7), Flex-fund Money Market Fund (6.62, 145.2), Bayshore Cash Reserve (6.61, 354.4), Kemper Money Market (6.55, 4,477.8), The Galaxy Funds M.M.F. (6.54, 181.1), Trinity Liquid Assets Trust (6.54, 341.3), Mafner Cash Mgt. Fund (6.49, 557.8), Cash Assets Trust (6.48, 221.5), Counsellors Cash Reserve (6.48, 222.3), MarketMaster M.M.F. (6.48, 167.7).

Source: Donoghue's Money Fund Report

The Bloodbath in New Stock Offerings

By John Boland

NEW INVESTORS WHO bought new stock offerings in 1987 will look back with pleasure. The frothy pre-October market enabled Wall Street's underwriters to sell a record volume of initial public offerings (IPOs) — \$24.2 billion worth, up 8 percent from a year earlier, according to Going Public, a service that tracks the new-issue market.

But by the time the books closed in December, the average new issue had fallen 24.6 percent from the price the initial buyers paid. Going Public has not calculated the dollar loss to investors, but the publication's editor, Susan Galant, says, "My guess is it's the biggest ever."

The largest new issue in history, last June's \$1.58 billion offering of a closed-end bond investment company, the Nuveen Municipal Value Fund, closed the year down 17.5 percent from its \$10 offering price.

Like most closed-end funds, Nuveen Municipal Value trades at a discount from net asset value. And typical of initial stock offerings — whether of industrial, service or investment companies — the underwriter's fees and discounts depleted the initial investors' capital by 6.5 percent at the outset.

Results were at least as disappointing for investors in the great

majority of the IPOs of 1987. According to Ms. Gallant, only 18 percent of the year's 541 new issues closed December above the initial offering price. During 1986, 44 percent of the IPOs were trading above their offering prices at year-end.

To many analysts, it comes as no surprise that a boom in new issue sales was accompanied by miserable performance by the stocks in later trading. "You can use the trend in IPOs as a fairly accurate barometer of the stock market," says Kenneth L. Fisher, whose Woodside, California, management firm directs about \$120 million. When the number of new issues is high, he says, "It's a bad time to buy stocks."

Mr. Fisher and some other analysts assert that new public offerings seldom are a good deal for the initial buyers. "Companies only go public when they can raise money at favorable prices," Mr. Fisher says. "Favorable prices to them are unfavorable to the buyer."

The underwriting firms competing for corporate business will often price a deal as high as the market will bear, according to several analysts. The pressure for business also may have led underwriters to take fewer pains to inspect the quality of the products they were selling, money managers and investment bankers say.

The stock market plunged in October but many issues and dried up demand for further offerings. Even so, much of the decline in the new-issue prices is evidence that "they were bad deals," one retail broker said. In some cases, bad news came soon after the public bought, leading to lower prices.

In April, Laidlaw Adams brought out a \$6.6 million offering of Fisher Transportation Services, a freight carrier. Five months later, the company cited inadequate accounting controls in saying that reported financial results could not be relied upon. Fisher Transportation's stock was high on the year's losers' list, falling 92.7 percent, from \$6 to about 50 cents.

De Laurentis Film Partners, brought out in February at \$16.25, closed last year at about 81 cents, down 95 percent. Other poor performers among deals of more than \$5 million, cited by Going Public, included Antonovich, which sells fur coats. It was brought out by Evans & Co. in March and fell to \$1.875 from \$9.625 by year's end, off 80 percent.

Among deals larger than \$5 million, the Fastenal Co., underwritten by Robert W. Baird, led the winners last year, ahead 64 percent. Fastenal sells threaded fasteners. Calgon Carbon, a maker of activated carbon brought out by Swanson Leberman, gained 57 percent. Three offerings with values ranging from \$22 million to \$120 million — Topps Inc., Carlton Communications and British Airways — each gained slightly less than 50 percent. The underwriters were Goldman, Sachs, Shearson, and Salomon Brothers, respectively.

1987 The New York Times

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THE TRADER

Post Bang: Brokers Go For the Fees

By Marybeth Nibley

WHEN FIXED commissions on stock trades were abolished in October 1986 in London's Big Bang of deregulation, there were dire predictions that individual investors would pay more, not less.

The predictions have proved largely accurate. Competition for the brokerage business of big institutions, such as pension funds and insurance companies, has cut commissions for those heavyweight traders to the bone. But the fees charged to private investors have gone up.

"The private investor is paying more because before Big Bang he was subsidized by the institutions," says Peter Saunders, head of private-client services for Kleinwort Grievson Investment Management. "Private investors never paid enough before Big Bang, really."

What has happened to small investors bears several similarities to what occurred after U.S. authorities abolished fixed commissions, says David Blake, director of the securities industry program at City University Business School in London. Competitive pressures have forced firms to scrutinize their cost structures, and the individual investors generally come out the loser.

Given the overhead involved in maintaining small accounts, few firms are actively courting private investors. While a handful of brokerages, such as Quilter Goodison, made news by putting retail-like boutiques in department stores and other locations to woo average investors, most firms prefer to target the wealthy. Small investors are herded into unit trusts and other forms of pooled investment.

David Franks, director of the retail division of Quilter Goodison Co. Ltd., says firms seem to be refraining from encouraging retail business because they have had a hard time coping with the increased volume of trades. Until greater automation becomes standard, the growing business generated by privatizations and the government's promotion of share ownership will strain back offices.

One of the problems of gauging the change in transaction costs is the transformation of the financial services industry itself. The investment business was carved up more neatly before Big Bang. Stockbrokers and banks charged commissions for trades, and merchant banks charged investment management fees to manage their wealthy clients' portfolios. Now, the melding of the financial services industry spawned by deregulation has led to an assortment of packages of services and fee structures.

Before Big Bang, commissions paid to stockbrokers were set by the Stock Exchange, with the amount depending on the size of the share transaction. These commissions typically ranged from 1.65 percent on trades of up to £1,000 to 0.55 percent for trades between £15,000 and £130,000.



The Quilter Goodison boutique at Debenhams department store.

Some firms have, in effect, kept the old Stock Exchange commission scale with little or no modification. They note that customers put up little resistance to commissions because these charges are deducted from capital gains when calculating tax liability. Fixed fees generally are assessed on fuller services, which may include portfolio performance reports, telephone or written advice, and tax computations.

Increasingly, the emphasis in the industry is on generating fees. "The whole trend among the larger firms is to go more for fees and less for commission," says Mr. Saunders at Kleinwort Grievson. From the view of the firms, fees represent a more reliable revenue stream. David Roster, deputy chairman of Mercury Rowan Mullens, the private client arm of Mercury Asset Management, says there is also a belief that commission-based remuneration — payments linked to the size and number of transactions — is a temptation to "churn" customer accounts. Churning is the unnecessary buying and selling of securities to boost commissions.

A basic consideration for any investor is who will make the decisions about what to buy and sell. Discretionary accounts, where the investment manager makes the decisions, have a different cost structure than advisory accounts, where the customer makes the investment decisions. In sizing up costs, investors should keep in mind that many firms quote costs exclusive of value-added tax, and a stamp duty of 0.5 percent on all purchases across the board also is passed on to customers.

Hill Samuel's discretionary portfolio service is an example of mixing fees and commissions. The minimum investment is £200,000, on which Hill Samuel charges a minimum fee of £1,100 annually. The fee takes a declining percentage of larger portfolios so that on accounts of £1 million, the fee is £3,000. A commission scale along the lines of the one formerly mandated by the Stock Exchange is used.

For clients with less to invest, Hill Samuel offers a unit trust investment management service on which it charges a minimum of £200.

Mercury Rowan Mullens Ltd. charges a fee based on the value of a portfolio so that the

more money made for a client, the higher the fee. The discretionary management service is available to private investors with about £300,000. The fee is 0.75 percent per year on the first million, or a minimum of £2,500 for portfolios managed in the United Kingdom investing in securities for which payment may be made in British pounds.

Commissions are charged, starting at 1.4 percent on transactions up to £7,000 and declining thereafter as the trades get larger. There are no commissions on transactions over £300,000.

At some firms, investors may elect to pay a fee based on the number of holdings. At Kleinwort Grievson, an investor who chooses this structure would pay an annual fee of £5 per holding if using the so-called nominee service, in which the securities are held in the firm's account, and £10 otherwise on the full discretionary account. The advisory service's annual fees are £15 if the nominee service is used and £20 otherwise.

Investors can buy and sell shares through their banks, such as Barclays, Lloyds or National Westminster. Usually, there is no minimum amount that must be invested and there are fewer frills.

Natwest Stockbrokers charges a minimum of £25 for any transaction that goes through its books, up from £15 about two years ago. It also levies a flat closing commission of £30 on second transactions occurring within the same Stock Exchange account period, which lasts two weeks. Before Big Bang, closing commissions were optional and few brokers charged one.

Private investors who know what they want to buy or sell have a handful of execution-only, no-frills outfits from which to choose. Even a few of the bigger brokerages have ventured into this area with varying degrees of success. One of the ventures, called ShareLink, can be compared to an American-style discount broker.

Launched last year in partnership with Albert E. Sharp, a large independent brokerage based in Birmingham, ShareLink aims to provide a fast and efficient way to trade securities. It offers no stockbroking advice or investment management services.

STRATEGY

Small Stocks: A Historical Case

Continued From Page 7

stocks. It never occurred. And there are still daunting problems confronting small companies, not least of which is a looming recession.

Yet, some market observers believe the alluring ratios will finally overcome the investment styles and pressures that have kept the OTC market down. Moreover, they say that this presents an opportunity for individual investors, since many big institutions have abandoned small stocks.

Bankley Shorts, manager of the Boston-based OTC Fund, is a vigorous proponent of the valuation argument. He notes that big or small stocks tend to outperform each other during cycles that last five to seven years. Since big capitalized stocks have tended to dominate the bull market since 1982, he believes it is time for small stocks to take over the lead.

Mr. Shorts also notes that the reversal has happened in the midst of bear markets and bull markets, when the dollar was strong and when it was weak. "The one constant factor of relative valuations," he says, "has been the technical factor of relative valuations. When the pendulum swings to excessively high multiples in either the blue chip market or among small growth stocks, investment styles change."

The premium paid for OTC shares has been steadily eroding since mid-1983, when the small stocks traded at more than 2.2 times the S&P multiple. As measured by the New Horizon Fund, that multiple is now only at a 1 percent premium to the S&P 500.

"Almost every time the multiple has fallen within about 5 percent of the S&P, NASDAQ stocks have begun to outperform the larger stocks within a year," says John Laporte, portfolio manager of the New Horizon Fund.

A look at stock performance over the past five years gives credence to the pendulum theory. The heart of NASDAQ, the 1,200 companies with market capitalizations of \$25 million to \$150 million, have seen earnings increase at twice the rate of S&P stocks and book values grow 150 percent faster. In the same period, though, the NASDAQ Composite index has appreciated only 42 percent, compared with 113 percent for the S&P.

Mr. Shorts blames indexing, corporate buybacks and new-issue activity to explain why OTC stocks have been overlooked. For the past five years, buybacks have shrunk the supply of stocks on the major exchanges, boosting prices. At the same time, new issues on the OTC market have increased supply, depressing prices. And indexing, the practice of keeping pace with market averages by investing exclusively in the stocks of major yardsticks like the S&P, has

January Market Scoreboard

Table with columns for Market Exchange, Percent Change, Price Jan. 29, and company names. Includes New York Stock Exchange, American Stock Exchange, Over the Counter, London Stock Exchange, and Tokyo Stock Exchange.

pushed a large universe of shares to very high multiples without regard to basic company fundamentals.

"The crash finally revealed that valuations on larger stocks were way out of line. Highlighted by the low P/E ratio, investment momentum should swing back to the small stocks in a matter of months," says Mr. Shorts. He says the OTC market could climb 10 percent by year's end, while the S&P and other large stock indexes remain flat.

Whether price attractiveness alone is enough to propel OTC stocks remains at the center of a debate.

Robert Robbins, an emerging growth specialist with Robinson-Humphrey in Atlanta, believes small stocks will continue to trend lower "at least through 1988." He cites several market conditions that are unlikely to change without a significant strengthening of the economy.

Increased competition from foreign companies and ever-growing

numbers of entrepreneurs have eroded earnings at small businesses in recent years.

Mr. Robbins maintains. Also, he points to the ability of larger firms to trim more fat from their operations. Another important factor contributing to poor small-company stock performance is excess industrial capacity spawned by a sluggish economy. "This drives companies to look for new areas to compete in and makes things tougher for the small firms," he says.

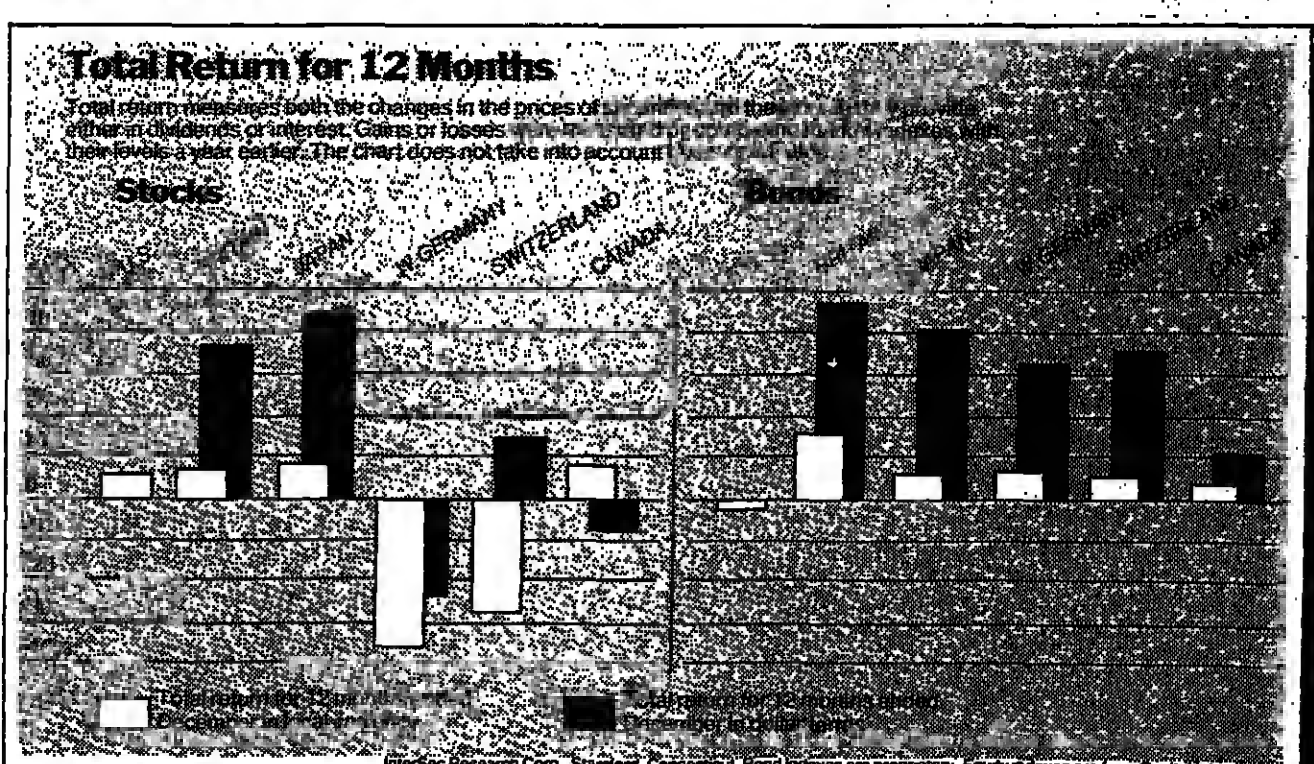
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Sizing Up the Indexes. Continued from Page 7, discussing the CAC index and its performance relative to other market indices.

Vertical sidebar containing various financial advertisements and notices, including 'New Int', 'BONDS', and 'an Fees An'.

BUSINESS/FINANCE

TO AIR WAVES... TOSHIBA

FROM AIR CONDITIONING

MONDAY, FEBRUARY 8, 1988

EUROBONDS Interest-Rate Concerns Make the Market Manic

By CARL GEWIRTZ International Herald Tribune PARIS — The Eurobond market is going through one of its manic periods...

Little new money is being committed to straight dollar bonds.

For DOLLAR investors, the crunch may come this week. At midweek, the Fed's policy-making Open Market Committee meets...

Financial markets will also be looking to Friday's report on the December trade figures. These are widely expected to be in the range of November's \$13.2 billion shortfall...

Without such easing, the rally in the dollar bonds markets may simply run out of steam. Growing doubts about further cuts were evident last week...

See EURO BONDS, Page 13

OPEC Output Slumps

Agency Cites Cuts By Gulf Nations, Price Differential

PARIS — OPEC's oil production fell sharply last month, mainly because of cutbacks by the cartel's Gulf exporters...

The Organization of Petroleum Exporting Countries' official average price is \$18 a barrel, whereas crude oil is selling in the open market for about \$15.50 a barrel less.

Mr. de Benedetti, the chief executive of the Italian Olivetti SPA, also served notice to the Belgian Banking Commission that he would not accept any further delay in obtaining approval for the offer.

See DE BENEDITTI, Page 13

Vuitton: Tapping a Yen for Prestige

By Nancy Beth Jackson and Charles D. Sherman International Herald Tribune PARIS — A decade ago, André Sacau, oow president of Louis Vuitton Malletier...



André Sacau, president of Louis Vuitton Malletier and the main author of its success in Japan.

Its signature has become a badge of membership in Japan's image- and quality-conscious middle class.

In their home country, limiting its effort to taken wholesaling to Tokyo department stores, where Vuitton goods were lumped on the shelves with other luxury items such as perfumes and cosmetics.

As the contracts on the department store boutiques began to expire, Mr. Sacau established a Vuitton subsidiary in Japan.

See VUITTON, Page 13

Murdoch Agrees to Sell Post

\$37 Million Deal Is Tied to Major Union Give-Backs

NEW YORK — Rupert Murdoch agreed Sunday to sell the New York Post to a property developer for \$37 million...

The FCC is barred, under a law passed late last year, from extending waivers that Mr. Murdoch has held since 1986.

De Benedetti, Refusing to Give In, Raises Générale Offer

BRUSSELS — Carlo de Benedetti, fighting to retain momentum in his bid for control of Société Générale de Belgique, on Sunday raised his public offer for a further 15 percent stake in Belgium's largest company.

Mr. de Benedetti, the chief executive of Italy's Olivetti SPA, also served notice to the Belgian Banking Commission that he would not accept any further delay in obtaining approval for the offer.

Mr. Leysen shares Mr. de Benedetti's vision of making "la Générale" a pan-European holding company ready to cash in on the internal market the European Community plans to establish by 1992.

See DE BENEDITTI, Page 13

See STOCKS, Page 15

Currency Rates table with columns for Country, Rate, and % Change.

Other Dollar Values table with columns for Country, Rate, and % Change.

Last Week's Markets table with columns for Index, Jan. 29, and Feb. 5.

Legal Battle Is Seen Over Texas Air Move

Shuttle Purchase Pressures Unions

WASHINGTON — Texas Air Corp.'s decision to buy the profitable Eastern Air Shuttle from its Eastern Airlines subsidiary...

Jack Davis, chairman of the pilot's union at Eastern, called the sale an "outrage" and said it would not go unchallenged.

Congress Is Divided on Pace of Stocks Reform

WASHINGTON — While members of Congress investigating October's stock market debacle seem to agree on broad issues, there is sharp disagreement on the measures needed to prevent another collapse.

See STOCKS, Page 15

International Standards Needed, Some Analysts Say

LONDON — As financial centers around the world prepare individual reports on October's stock market collapse, analysts and officials say that in the long term, more closely coordinated international standards are needed.

See STOCKS, Page 15

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel: 01 323 11 30

Dollar Straights

Table listing bond prices for various countries including Australia, Canada, France, and Scandinavia. Columns include Issuer, Con Mat Price, and Yld.

Japan

Table listing Japanese bond prices with columns for Issuer, Con Mat Price, and Yld.

United Kingdom

Table listing UK bond prices with columns for Issuer, Con Mat Price, and Yld.

United States

Table listing US bond prices with columns for Issuer, Con Mat Price, and Yld.

Supranational

Table listing supranational bond prices with columns for Issuer, Con Mat Price, and Yld.

Western Europe (Other)

Table listing Western European bond prices with columns for Issuer, Con Mat Price, and Yld.

Dollar Zero Coupons

Table listing zero coupon bond prices with columns for Issuer, Con Mat Price, and Yld.

DM Straights

Table listing DM straight bond prices with columns for Issuer, Con Mat Price, and Yld.

DM Zero Coupons

Table listing DM zero coupon bond prices with columns for Issuer, Con Mat Price, and Yld.

Mutual Funds

Table listing mutual fund prices and performance metrics.

ECU Straights

Table listing ECU straight bond prices with columns for Issuer, Con Mat Price, and Yld.

Euromarts At a Glance

Table listing Euromart bond prices with columns for Issuer, Con Mat Price, and Yld.

Wall Street Review

Table listing Wall Street market data and indices.

NYSE Most Actives

Table listing NYSE most active stocks.

Table listing AMEX most active stocks.

NYSE Sales

Table listing NYSE sales data.

AMEX Sales

Table listing AMEX sales data.

Libor Rates

Table listing Libor interest rates.

NYSE Diaries

Table listing NYSE diary data.

AMEX Diaries

Table listing AMEX diary data.

Fixed Income and Equities Trading

Text describing fixed income and equities trading services.

WestLB

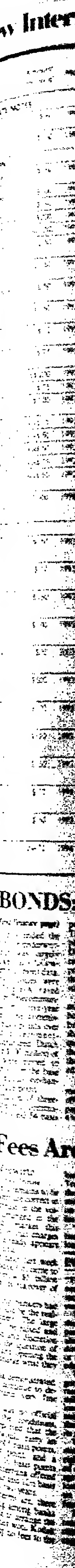
Text about WestLB bank services and contact information.

Fixed Income and Equities Trading

Text describing fixed income and equities trading services.

WestLB

Text about WestLB bank services and contact information.



New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Maturity, Coupon, Price, Price end week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Soviet Official Cites Progress in Joint Ventures

Ivan Ivanov, vice chairman of the Soviet State Commission for Foreign Economic Relations, is a major figure in Moscow's drive to open the Soviet economy to foreign trade and investment.

Q. How do you respond to complaints by Western companies that they are still frustrated by excessive bureaucracy in their dealings with the Soviet Union? A. I have heard this accusation for many years...

AT&T, in Turnabout, Outperforms 'Baby Bells'

By Phillip H. Wiggins New York Times Service

NEW YORK — American Telephone & Telegraph Co., the original "Ma Bell," is now outperforming the seven operating companies formed by its 1984 breakup.

Buoyed by strong long-distance revenue and major cost cuts, AT&T moved from a loss of more than \$1 billion in the last quarter of 1986 to a profit of \$498 million in the fourth quarter of 1987.

For their part, the seven "Baby Bells" continue to show moderate, but consistent and predictable, earnings growth.

Six of the seven chalked up increases of 4.8 percent to 23.8 percent for the fourth quarter of 1987 and from 3 percent to 9.3 percent for the full year.

Although the prognosis for the Baby Bells appears to be one of further conservative earnings growth, analysts believe that investors will continue to be attracted by the stability these utilities represent.

Joseph Battipaglia, a telecommunications analyst at Gruntal & Co., said: "The Bell operating companies have been favorably positioned by judicial fiat to control regional communications, data transmission and on-premises services, which have translated into a constant level of rising revenues, earnings and cash flows."

Federal Communications Commission's restrictions on technology transfers and limited new markets had forced the managements of the Bell operating companies to pursue varied strategies of diversification.

For example, BellSouth Corp. recently bid for Mobile Communications Corp. to expand its cellular-phone operations. Both Bell Atlantic Corp. and Nynex Corp. are becoming major players in the computer hardware retailing business.

AT&T's profits were bolstered by cost savings that the company estimated had totaled more than \$1 billion in 1987.

Nynex, which serves most phone users in New York and New England, said that substantial investments for long-term growth slowed its earnings growth.

BellSouth said its 1987 results reflected the one-time expenses of an early retirement program, as well as continuing increased depreciation expenses.

US West Inc. said that it not only reached its overall earnings goal in 1987 but that its nonphone operations were profitable for the first time.

Pacific Telnet said its earnings were sharply curtailed by a phone-rate decision, an early retirement program and an internal restructuring.

VUITTON: Tapping Japan's Yen

(Continued from first finance page) percent duties charged on the goods and other distribution costs still make the Vuitton products cheaper to buy in other Pacific Basin countries, where they sell for as much as 40 percent under prices in Japan.

US West Inc. said that it not only reached its overall earnings goal in 1987 but that its nonphone operations were profitable for the first time.

Southwestern Bell said that its earnings were held down to a certain extent by the cost of acquiring certain properties from Metromedia Inc.

American Tech Corp. said its revenue growth was bolstered by such unregulated operations as its publishing, cellular and credit subsidiaries.

He admits marketing the line may be more difficult in Japan because the familiar printed logo, the entangled L and V in muted gold, has been replaced by an embossed insignia, making the product's origin less evident.

Bell Atlantic said its earnings were bolstered by the strong economy of the Middle Atlantic States and the increasing contributions of its non-telephone businesses.

GM Pledges Stable Prices For Rest of '88

General Motors Corp. says it will not raise car or truck prices for the rest of the 1988 model year.

GM's chairman, Roger B. Smith, made the announcement at the convention of the National Automobile Dealers Association in San Francisco on Saturday.

Traditionally, automakers raise prices on April 1, on top of price increases announced when the model year begins in October. In past years, GM has frozen prices on some cars but increased them on others.

GM has seen its share of the U.S. car market drop to around 38 percent in the past two years from about 46 percent in 1985.

Although GM and other automakers recorded strong sales in January, analysts predict industry sales in 1988 will fall by about 1 million units from 1987, when 15 million cars and trucks were sold in the United States.

Selected U.S./D.T. Quotations

Table with columns: Bid, Ask, Bid, Ask. Lists prices for various commodities like Bunker Corp., Chevron, Gold, etc.

Indigo Ideas

There are ideas that recently bloomed at between \$8 and \$12 that Indigo is calling for close to \$100 in time.

Indigo is not a licensed broker.

EUROBONDS: Rate Fears Make the Market Manic

(Continued from first finance page)

As this time of the decade was "out of the loop," a deflated market from key countries was suddenly being reinvigorated by the direction of events. "My feeling was to see the picture as a rebirth of the whole world."

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Fed Will Look for Clear Signs on Economy in Deciding Whether to Cut Rates Soon

WASHINGTON — U.S. central bankers meeting this week are likely to act quickly to cut some interest rates if they consider that the economy shows clear signs of faltering, economists say.

The U.S. Federal Reserve's policy-making Federal Open Market Committee is due to meet Tuesday and Wednesday.

While some economists see the committee voting to ease credit right away, others predict that the members will hold steady until there is more conclusive evidence about the state of the U.S. economy.

They are going to be a little bit careful just yet," said Martin Regalia, director of research and economics for the National Council of Savings Institutions.

If the Fed, the U.S. central bank, acts too quickly to lower interest rates without clear signs of an economic slowdown, it could mean problems for the dollar, Mr. Regalia said.

"It could drop very sharply," he said.

On the other hand, if signs of a sharp slowdown in growth develop, the Fed will still have enough time to act to avoid recession, he said.

But Mickey Levy, senior economist with Fidelity Bank in Philadelphia, predicted that the Fed would vote to ease.

"Almost all of the indicators point to a severe weakening in the economy," he said.

A stable dollar gives the Fed more flexibility to lower interest rates, he said.

"The cost of a recession at this stage would be very high," he said. "It's important to avoid a recession and not just for political reasons."

The Reagan administration, which had overseen five years of continuous economic expansion, is particularly anxious to avoid a recession in this election year.

Reagan administration officials have been making it clear that they would welcome an easing of credit by the Fed now that recent economic data point to a slowing of growth in the first part of the year.

BA to Take Airbus A-320s Despite Dispute

MANAMA, Bahrain — British Airways PLC said Sunday that it would take delivery of all 110 A-320 aircraft on order from the European Airbus Industrie consortium despite a dispute over fuel consumption.

The airline's chairman, Lord King, said after a meeting of the BA board in Bahrain that the first A-320 would be in use by mid-March, but added that he expected Airbus to improve the performance.

BA inherited the \$340 million Airbus order as part of a £250 million (\$425 million) takeover of British Caledonian Airways PLC, a major carrier in the Gulf region.

BA last week demand compensation because tests showed that the A-320 used 9 percent more fuel than expected.

Airbus rejected the criticism.

Shell Weighs Bid For Texaco Assets

CHICAGO — John F. Bookout, president of Shell Oil Co., says Shell may be interested in acquiring some Texaco Inc. assets if they fit into Shell's long-term strategy of developing its offshore reserves and its enhanced oil recovery operations.

"We're always interested in acquiring assets that other companies are prepared to dispose of, in our opinion, they fit our strategy and we can make more out of them," Mr. Bookout said late Friday.

Mr. Bookout ruled out any hostile takeover attempt of Texaco, which is in the midst of a bankruptcy restructuring after a court battle with Pennzoil Co. Texaco has announced it will sell \$3 billion in assets, including 60 million barrels in oil reserves.

COURT OF PARIS Judgment delivered on June 22, 1987

CELEBRITY NEWS, carries on its business under the trade name CELEBRITY NEWS. It has filed the following trademarks: CELEBRITY NEWS No. 1,308,863; CELEBRITY BULLETIN No. 1,308,861; PARIS CELEBRITY SERVICE No. 1,308,860; CELEBRITY NEWS SERVICE No. 1,308,862.

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938: Franco Is Wane

ONDON — Foreign Secretary Geoffrey Howe said Sunday that the Francoist regime in Spain is waning.

Loan Fees Aren't Rising, Banks Find

By Carl Gewirtz International Herald Tribune PARIS — While it remains to be seen whether banks are correct in forecasting an increase in the volume of business arranged in the international credit market this year, their prediction that charges will also increase already appears to be wildly optimistic.

This was made clear last week when Ernstman Kodak Co. came to the market to borrow \$5 billion needed to finance its takeover of Sterling Drug Inc.

Takeover financing, bankers had been predicting, would be the really profitable business. The large amounts of cash to be raised and the need for speed and discretion were seen making the question of cost almost irrelevant, opening the way for banks to charge what they like.

Not so, as Kodak demonstrated, quality borrowers continue to demand and command very fine terms.

Although there was no official confirmation of the conditions, market sources reported that the three-year credit would carry an annual facility fee of 5 basis points, or 0.5 percentage point, and a drawing charge of 10 basis points over the London interbank offered rate for the first year and 12 1/2 basis points for the final two years.

Meager as the terms are, banks were intense bidding among banks to win the mandate to arrange the credit. Bankers Trust was the lender, reportedly paying no fees to the

INTERNATIONAL CREDIT

"This is obviously the sort of business banks ought to be making money on. Banks are obviously starved for assets."

The reason they are starved is that many former heavy borrowers, particularly in Southeast Asia but also in Europe, are either running down their exposure to the banks or not increasing their net indebtedness.

The latest entrant into this category is Greece, which is seeking to raise an eight-year loan of \$350 million. Greek officials say that the loan is aimed at strengthening the maturity profile of its debt and that there will be no increase this year in its net debt.

The terms reflect this changed status. The last borrowing, also for eight years, carried an evenly divided split margin of 1/2 to 1/2 percentage point over Libor. In the current loan, the 1/2 point element runs for six years, rising to 3/2 point in the final two years.

The 11 banks mandated to arrange the loan include two Americans (Chase Manhattan, First Chicago), four Japanese (Dai-ichi

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BUY: Americans Are Spending Their Way Into More Taxes, Some Experts Believe

(Continued from Page 1) spending and raise its borrowing, and that it must do so now.

There is also a growing perception among economists that no matter how much Americans consider higher savings a desirable goal, they simply do not have the capacity—the discipline—to spend less and save more.

The high personal savings rates of the early and mid-1970s are beyond the nation's reach now, said Lester Thurow of the Massachusetts Institute of Technology.

Evidence is piling up to support that view. Recent studies show that Americans' motivation to save for a rainy day has been increasingly undermined by such amenities as rising retirement benefits, improved disability insurance, easy credit, Medicare and even the cash payouts that have gone to tens of thousands of shareholders in corporate takeovers and stock buybacks.

Perhaps more alarming is that efforts to encourage Americans to save more—such as the introduction of tax-deferred retirement accounts—soon to have had little success.

ally accounted for a significant portion of total savings in the United States, but they have been shrinking.

Personal savings, as a percentage of disposable income, averaged 6.1 percent from 1970 through 1978, but declined to an average of 3.4 percent from 1980 through last year, and have not been above 4.5 percent since 1982.

Personal savings, which totaled \$120 billion last year, are only one of the two forms of private national savings. The other is corporate savings, the money business takes from profits and does not pay out to shareholders, setting it aside to replace aging plants and equipment.

These savings, which totaled \$553 billion in 1987, are not growing significantly either.

The total of \$674 billion in personal and corporate savings fell short, by about \$43 billion, of the amount needed to finance all of the nation's \$716 billion in private investment last year. The United States has made up this short-fall by borrowing the savings of other countries.

Many politicians and economists contend, however, that a developed country, such as the United States, should be supplying funds to other countries rather than borrowing from the world's pool of limited savings.

Another option is to cut back on investment until it matches available savings. But that is a remedy that strikes nearly everyone as self-defeating in a period of intense global competition and rising business investment elsewhere in the world.

The only other alternative, then, is public savings. But in the 1980s, the public sector has dragged down savings, not increased them—producing a U.S. deficit or "disaving" of \$152 billion in fiscal 1987, offset by a surplus of \$45 billion by state and local governments.

Because of this net public deficit of \$107 billion, plus the fact that private saving fell short of total investment by \$43 billion, the United States had to borrow \$150 billion from abroad last year. That money entered the country mostly as investments in Treasury securities, corporate stocks, factories and real estate.

As hard as taxes are to legislate, says Michael Boskin, an economist at Stanford University, they are a more practical way to raise national savings to the point that foreign borrowing becomes unnecessary.

Several new studies delve into the reasons for the continued decline in private savings. In one, to be published this month by the National Bureau of Economic Research, Mr. Boskin and Laurence Lau, another Stanford economist, determined that corporations in recent years cut their contributions to defined-benefit pension plans by as much as \$130 billion annually on the ground that the plans were over-funded. Pension assets count as corporate savings.

The two economists also found evidence that the elderly are increasingly depressing the nation's personal savings rate. A substantial fraction of the elderly, they said, spend their savings rather than maintain or increase them. This has a greater impact than in the past because the elderly represent a growing percentage of the population and a greater share of the national wealth.

The greater well-being of the elderly today—a result, in part, of higher Social Security payments and improved pension benefits—has helped to persuade younger Americans that they do not need to save as much for retirement, according to Lawrence Summers of Harvard University and Chris Carroll of the Massachusetts Institute of Technology, in a study in the current issue of the Brookings Papers on Economic Activity.

Adequate health insurance, improved disability pay and widespread life insurance coverage are also discouraging savings in the Baby Boom generation, the study concluded. Saving to buy big-ticket items like cars and refrigerators has gone by the board, too, because it has become so easy to buy these items on credit, the economists said.

The research into saving has fueled two other debates. One is whether households can be lured into saving.

Initiatives that have been tried, without much success, include tax-sheltered retirement accounts, securities that offer tax-free income and lower income taxes. Higher interest rates do not seem to have done the trick either.

Some economists have proposed that the United States copy the Japanese custom of paying part of a worker's salary in semiannual bonuses, rather than in weekly or monthly wages. The Japanese save a much greater portion of their bonuses than their wages, and Mr. Juster thinks that Americans, too, "would treat lump-sum bonuses as if they were inherited wealth" by saving more as well. But this is not a widely shared view among economists.

The other debate concerns whether or not the nation's savings rate, as measured by the Commerce Department, is really an accurate measure of true savings in this nation. Some economists contend that the American savings rate would come closer to those of Japan and Europe if the

public pressure is rising to reduce the nation's indebtedness to the rest of the world.

Increasingly, economists and some politicians, both liberal and conservative, are concluding that a tax increase will be necessary. Because raising income taxes is viewed by many as unpalatable, interest—and support—seems to be shifting to a consumption tax.

Such a tax could take the form of a national sales tax or a tax that would be paid on the value added to a product at each stage of its production and distribution.

The tax burden in either case would be passed on to consumers, and would fall most heavily on lower- and middle-income families, who spend a greater percentage of their income—and save less of it—than the wealthy, according to Mr. Pechman of the Brookings Institution.

A 5 percent national consumption tax, whether a value-added tax or a sales tax, would raise \$103 billion a year in additional revenue, according to Mark A. Bloomfield, president of the American Council for Capital Formation, a nonprofit organization financed partly by corporate contributions.

Mr. Pechman, for one, is concerned about where a small consumption tax will lead. It might have other effects, as well. He charges that the strategy of corporate America "is to start modestly, with a consumption or value-added tax of 5 to 7 percent. Then, he fears, the tax increases to cut consumption today will build, until it is substituted for corporate and personal income taxes—leaving substantial untaxed income.

Despite such misgivings, America's tendency to spend rather than save is increasing the likelihood of a tax hike, one that could well take the form of a national consumption tax.

Consumer Debt Up Consumer debt rose by \$4.5 billion in December, the biggest monthly gain in three months, the Federal Reserve said Friday. The December increase placed total consumer debt at \$612.5 billion, up 6 percent from the end of 1986. The New York Times reported.

Whatever the classifications, there is still a widespread perception that Americans must save more, and

Commerce Department took a broader view.

Outlays for a child's college education, for example, might be thought of as an investment with a future payoff in a higher salary than a high school graduate could command. An education outlay, then, would fit the definition of savings, which in essence is the use of resources for some future benefit.

By this definition, the purchase of a stove is also a savings, since the paycheck is equal to the monthly payments a household would have to make if it did not own a stove and had to rent one.

Some economists would, for example, classify washing machines, refrigerators, cars and other durable goods as investments—part of savings—rather than consumption. Some also would like to see government expenditures on such capital improvements as highways, schools, dams, airports and research be reclassified as investments.

The Commerce Department now counts the down payment on a house as an investment, but does not do the same for durable goods. If it did, the American savings rate would be somewhat higher.

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JETS: Western Firms See Hope for Sales to East Bloc

(Continued from Page 1) a member of the Airbus board, named East Germany's Interflug Airline and the Soviet Union's Aeroflot was mentioned in other reports.

Western diplomats in East bloc capitals say a cash shortage will likely mandate leasing arrangements, rather than outright purchases, if the deals succeed.

Few observers expect a rush for the West's planes, and many say demand will likely evaporate once the Soviet Union begins supplying its new generation of planes in the early 1990s.

But with bitter competition prevailing in their own aviation markets, the Western manufacturers are pushing into every niche.

Eastern European airline officials are reluctant to discuss the exploratory talks. Because hard currency is in such short supply, the financial arrangements are complex. The maneuvers are politically tricky, because Western aircraft sales would represent a tacit admission that Moscow was unable to meet its allies' needs.

Moreover, it remains unclear how Western rules restricting the sale of high-technology products to Communist countries will apply. Western countries grouped in the Coordinating Committee on Multilateral Export Controls, or COCOM, a Western watchdog body over trade with the Eastern bloc, pledged in Paris last month to continue strict enforcement of export rules, while agreeing to thin out the lists of proscribed high-technology products.

Still, even with all those hurdles, the East bloc countries have to try to find new suppliers for a number of reasons.

The European Community, following the American example, imposed strict noise-control levels on airports effective Jan. 1. Since most Soviet planes, with the exception of some long-range Ilyushin models, fail to meet the new limits, flights had to be curtailed or face stiff landing fees, forcing the already high operating costs of the Soviet-built planes even higher.

A remarkably frank report in a Polish weekly, Przegląd Tygodniowy, compared the Boeing 747, considered the West's top-of-the-line long-range aircraft, with the Soviet-built Ilyushin 62M, which is not directly comparable to the jumbo jet but is the best the Russians have to offer.

The article said that the Soviet planes were far less fuel-efficient than their Western counterparts, while their engines required maintenance that was far more costly.

The 747 carries up to 452 passengers and has a maximum level speed of about 530 knots, or 602 mph, according to Jane's All the World's Aircraft. The Polish newspaper said 747's required engine service only every 9,000 to 11,000 hours.

By contrast, the Ilyushin 62M, the favored long-range aircraft of East bloc airlines, carries up to 174 passengers and cruises at up to 486 knots, according to Jane's. The Polish newspaper said it required service every 2,500 to 3,500 hours.

The newspaper said the Ilyushin required about eight tons of jet fuel an hour, while the Boeing 707, which carries 190 passengers, consumed only six tons.

Other complaints include the inability of most Soviet planes to haul freight, poor supplies of spare parts and the need to fly aircraft to Soviet airports for major maintenance work.

The spark that ignited Poland's search for Western planes was the crash last May of a chartered Lot Ilyushin 62M in woods near Warsaw that killed all 183 people aboard in the worst air crash in Polish history.

A government commission later blamed a faulty roller bearing in one of the plane's four engines for the crash. The airlines responded by grounding indefinitely its eight Ilyushin 62's.

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A government commission later blamed a faulty roller bearing in one of the plane's four engines for the crash. The airlines responded by grounding indefinitely its eight Ilyushin 62's.

STOCKS: Congress Divided

(Continued from first finance page) tion in one month and promised a committee session to write specific legislation after that.

"I think the developments in the week of Oct. 19 make it mandatory that we act to make sure the SEC or the Fed, one of the two, probably the SEC, will have this kind of authority and power," he said after the Senate hearings.

He said he was not sure he had the votes on his committee to resolve the turf battle, but he pointed with hope to the House, where the chairman of the Energy and Commerce Committee, Representative John Dingell, a Democrat of Michigan, and Representative Edward Markey, a Democrat of Massachusetts, who is chairman of the finance subcommittee, are expected to play a key role.

Mr. Markey, according to a Democratic aide in the House, is leaning toward giving the Fed more authority over margins.

U.S. Postpones Futures Rules

WASHINGTON — The Commodity Futures Trading Commission has said that until April 4 foreign firms can continue to solicit or accept orders from U.S. customers for foreign futures contracts even if they have not been exempted from new rules that went into effect last Monday.

In an office in the Federal Register, the commission said that demands on its employees' time since the October stock price collapse had prevented the agency from reviewing exemption requests from foreign exchanges and regulatory agencies.

The rules, adopted last July, subject foreign futures contracts to registration, capital, risk disclosure and separate account requirements comparable to those of domestic transactions.

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NASDAQ National Market

Table with columns for stock symbols, prices, and changes. Includes sub-sections for (Continued), A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

American Exchange Options

Table with columns for Option & price, Calls, Puts. Includes sub-sections for Feb-Mar, Apr-May, Jun-Jul, Aug-Sep, Oct-Nov, Dec-Jan.

Chicago Exchange Options

Table with columns for Option & price, Calls, Puts. Includes sub-sections for Feb-Mar, Apr-May, Jun-Jul, Aug-Sep, Oct-Nov, Dec-Jan.

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Chicago Exchange Options

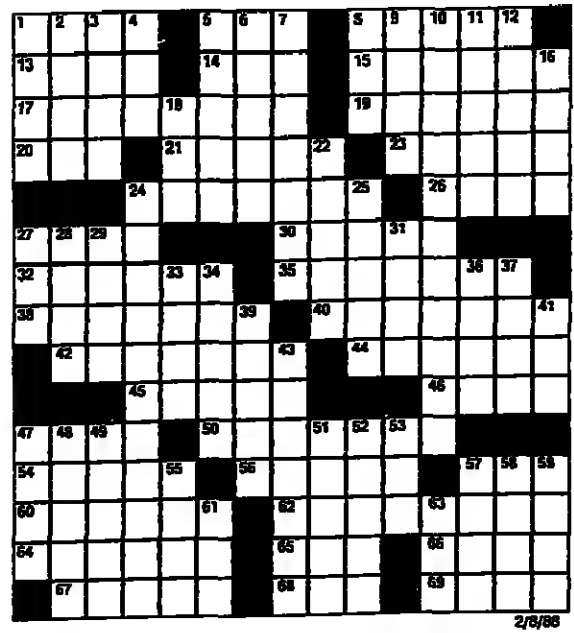
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ACROSS
1 Zhivago's love
5 Pic's superior
8 Capital of Ore.
13 Yalies
14 Mendow
15 "Taco" et al.
17 "Through the ... of Ruth ...": Keats
19 Bind a certain way
20 Monogram of Fruiteck's creator
21 "The Sun Also ..."

SPORTS BRIEFS

Yoo, Starling Keep WBA Titles on Decisions
SEOUL (Combined Dispatches) — South Korean Yoo Myong-woo retained his World Boxing Association junior flyweight title here Sunday with a unanimous decision over Mexican challenger Wilfredo Salazar.

SPORTS
Snowy Calgary Enjoys No-Wind Situation

By Michael Janofsky
CALGARY, Alberta — It finally snowed, a blustery storm that lasted long enough to paint the entire landscape a pristine white and dump more than a foot in the nearby Rockies.

Jones Has 3-Shot Lead in Pebble Beach Golf

PEBBLE BEACH, California (AP) — Steve Jones shot a 2-under-par 70 Saturday to take a three-stroke lead into the final round of the Beach National Pro-Am golf tournament.

The dreaded Chinooks — warming winds that can turn a winter wonderland into balmy spring within hours — have stayed away, leaving these 15th Winter Olympics poised for greatness.

million in cash and credit from the city, provincial and federal governments for facilities, which may be the show's real stars.
All of them are new or improved, including the world's first indoor 400-meter (440-yard) speed-skating oval, built on the campus of the University of Calgary. It is futuristic and fast.

For the Record

Thomas Schölebe of East Germany posted a time of 45.05 seconds in the 400-meter dash at an international track and field meet Sunday in Sindelfingen, West Germany, equaling a world indoor record he set there two days earlier.

Along the way, they raised more than \$300 million.

So what if a Chinook blows Calgary's way? "We should be O.K. now," Frank King, the chairman of the organizing committee, said of the snow cover and any other concern that might arise.

WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Amsterdam stocks were steady last week, thanks partly to a reasonably stable U.S. dollar. The ANP-CBS general index gained slightly on the week, to 219.7, against 218.5 the previous Friday.

Frankfurt

The Frankfurt exchange had a good week, with blue chips particularly favored, gaining an average of around 5 percent.

Hong Kong

Nervousness over an impending visit by the U.S. trade representative, Clayton K. Yeutter, dominated the Hong Kong Stock Exchange last week, with the Hang Seng Index shedding more than 100 points in dull trading.

London

The London Stock Exchange moved erratically lower last week in very quiet trading. The week was dominated by the signal given by the Bank of England to raise interest rates by half a percentage point to 9 percent, catching financial markets surprised despite a number of warnings in recent weeks.

Milan

Prices on the Milan stock exchange plunged last week, brought down by the announcement that it would restructure its activities, including those of its subsidiary, the chemicals giant Montedison SpA.

Zurich

The Zurich stock exchange scored a modest gain this past week, though investors remained misanthropic, analysts said.

Tokyo

Share prices were mixed in lackluster trading on the Tokyo Stock Exchange last week. Investors were nervous about the dollar and coming U.S. trade results, despite recent improvements on both fronts.

Singapore

Hopes of a rally ahead of the Lunar New Year were dashed last week as prices fell across the board on the Singapore stock exchange.

Paris

Paris stocks staged a marked recovery this past week, the CAC index rose every day, and Friday at 270.6, from 251.3 a week earlier.

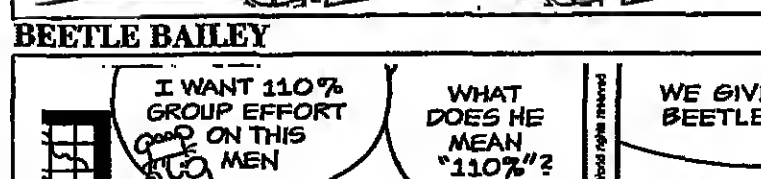
PEANUTS



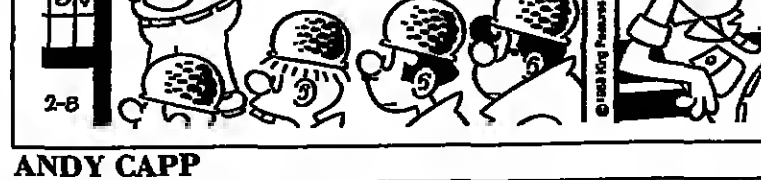
BLONDIE



BEEBLE BAILEY



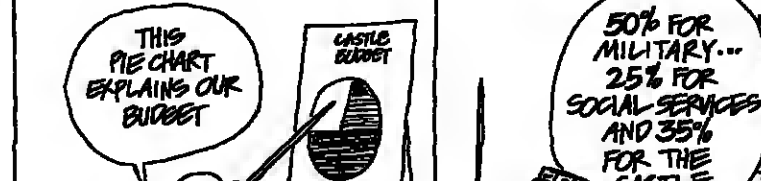
ANDY CAPP



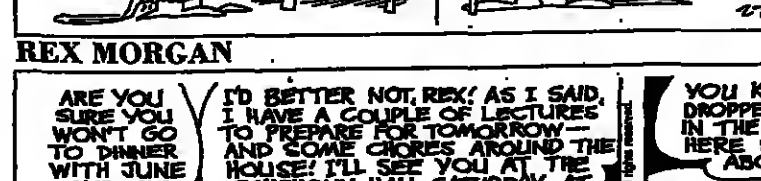
WIZARD of ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



JUMBLE

A word game section with a cartoon and a list of words to be unscrambled: OCTIX, ENGOM, NUCCOR, OOTARR.

Answer: A ... (Answers tomorrow)

WEATHER

A weather forecast table with columns for Europe, North America, and Oceania, listing cities and their weather conditions.

A large vertical advertisement on the right side of the page, featuring the text 'Western Airlines' and 'Eastern Airlines' with various promotional messages.

Handwritten signature or mark at the bottom center of the page.

SPORTS

Eastern All-Stars Down NBA West

Chicago's Michael Jordan capped a glittering weekend in front of basketball fans Sunday, scoring 40 points and earning most valuable player honors in leading the East to a 138-133 triumph over the West in the National Basketball Association all-star game.



Jordan Soars, Scores as Repeat Slam-Dunk Champion Chicago's Michael Jordan (above) outscored Dominique Wilkins of Atlanta on the last dunk of the final round to win Saturday's NBA slam-dunk contest for the second straight year.

Tate Keeps Title on KO Of Sibson

STAFFORD, England — Frank Tate of the United States delivered a jolting 10th-round right to the head to knock out British challenger Tony Sibson and retain his international Boxing Federation middleweight title here Sunday night.

Wales Flashes Past England, 11-3; Scotland Scuttles France

By Bob Donahue International Herald Tribune LONDON — Wales burst on stage with a flashy romp over England, while France shuffled to Scotland. So ends Act II, surprising much of the audience.

Alabama-Birmingham Hands BYU Its First Defeat; UNLV, Duke Beaten

The victory put N.C. State into a three-way tie with Duke and North Carolina for first place in the Atlantic Coast Conference at 5-2. Rodney Monroe led N.C. State, 14-4 overall, with 17 points and Charles Stackford had 16. Danny Ferry had 21 for Duke, 15-3 overall. Temple 84, Rutgers 53; in Piscataway, New Jersey, Mike Vreese.

SCOREBOARD

Table with columns for Basketball, U.S. College Results, Davis Cup Tennis, and Hockey. Includes scores for various teams and players.

European Soccer

Table with columns for Italian First Division, Spanish First Division, and European Soccer. Lists teams and scores.

Cup Series to Have California Venue

The Associated Press SAN DIEGO — Waters off the Los Angeles area were selected for the next defense of the America's Cup in a yacht-racing series forced by the unworldly challenge of Michael Fay, a New Zealand banker.



Welsh flanker Roland Phillips, carrying himself and the ball free from the grasp of Peter Winterbottom.

Transition

National Basketball Association LEAGUE—Normed Julius Erving in the board of directors of NBA International, the NBA's worldwide marketing arm.

